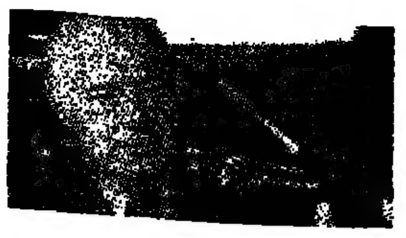

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Clutch on the market slips
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United Biscuits
Regrouping to fight the cookie wars
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The earth moves for JCB
Why launch a new product in a recession?
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Benetton banks on charity
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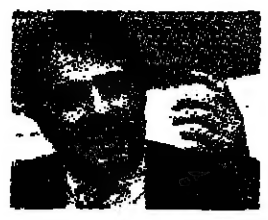

FT NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper
THURSDAY JANUARY 28 1993
D8523A

Sterling's fall triggers fresh tension in ERM

Sterling came under renewed selling pressure, falling against the D-Mark and dollar, after Tuesday's cut in UK interest rates.

The base rate cut, from 7 per cent to 6 per cent, and sterling's subsequent fall triggered fresh tensions in the European exchange rate mechanism, pushing the punt below its floor against two ERM currencies. Page 16; Lex, Page 16; Investor interest low at gilts auction, Page 17; Currencies, Page 36; Irish stock market, Page 40

Serbs issue ultimatum: Serbs in Krajina, the disputed Serb enclave in Croatia, demanded that Croat forces withdraw within 24 hours from territory seized during their six-day offensive. Page 16

Progress on SA power sharing: Pretoria and the African National Congress appear to have moved substantially closer to agreement on how power will be shared following five days of bilateral negotiations. Page 16

Westinghouse chief to quit: Paul Lego, chairman and chief executive of Westinghouse Electric, has "elected to retire" from the troubled US conglomerate, but will remain a consultant to the group. Page 17

Aids funds sought: The most ambitious effort so far to raise funds for fighting Aids will be launched in Paris today by Professor Luc Montagnier, Europe's best-known researcher into the disease, and Dr Federico Mayor, director-general of Unesco. Page 2

Major to meet King Fahd: UK prime minister John Major is to meet King Fahd of Saudi Arabia in Riyadh today to try to ensure maximum unity behind any future allied moves against Iraq. Major announces India deal for GEC Alsthom, Page 4

Hurd attacks US over UN council dues

British foreign secretary Douglas Hurd rapped the US for not paying its dues to the United Nations and attacked US calls for the UN Security Council to be reformed, telling the Royal Institute of International Affairs in London: "If it ain't broke, don't fix it." Page 4

Compensation for passive smoking: A council employee has won £15,500 ($22,800) compensation for the alleged effects of passive smoking at work, in what is believed to be the first such case in the UK. Page 6; Observer, Page 15

Philip Morris, US tobacco, food and beer manufacturer, reported a 17.5 per cent increase in after-tax profits last year to $4.93bn, before the effect of accounting changes. Page 19

Du Pont, leading US chemicals group, turned in a $230m fourth-quarter loss following restructuring and debt redemption charges. Page 19

£200m Oman tank order: British engineering group Vickers is believed to have won its first export order for the new Challenger 2 battle tank with a contract from Oman expected to be worth about £200m. Page 6

Texmaco-Polysindo, Indonesian textile group, is to invest in a £95m project in Northern Ireland, to boost its presence in Europe. Page 6

Moi suspends parliament: President Daniel arap Moi suspended Kenya's first multi-party parliament after rowdy scenes marred its first sitting since flawed elections last month. Page 3

Mercedes-Benz car production is expected to fall by about 5 per cent this year to 505,000, the lowest level since 1984. Output fell to just under 530,000 last year from a peak of 598,000 in 1987. Page 18

Court to rule on deportees: Israel's High Court will issue its ruling today on the legality of the expulsion of 415 Palestinians to Lebanon.

Brittan optimistic on Gatt: EC commissioner Sir Leon Brittan said an early conclusion to the Uruguay Round of global trade talks was both possible and "vitally necessary". Page 4

Cricket no-confidence motion: Members of the Marylebone Cricket Club gathered in central London last night to vote on a no-confidence motion in the selectors of the England cricket team. The dispute was sparked by the omission of batsman David Gower from the current tour of India.

STOCK MARKET INDICES

FT-SE 100:	2,832.5	(-3.2)
Yield	4.31	
FT-SE Eurotrack 100	1,072.28	(-11.96)
FT-A All-Share	1,373.87	(+0.0)
Nikkei	16,599.68	(+17.05)
New York: lunchtime		
Dow Jones Ind Ave	3,295.71	(-3.24)
S&P Composite	438.91	(-1.04)

US LUNCHTIME RATES

Federal Funds:	$2\frac{15}{16}$%
3-mo Treas Bills: Yld	2.972%
Long Bond	$104\frac{11}{16}$
Yield	7.233%

LONDON MONEY

3-mo Interbank	$6\frac{3}{8}$%	($6\frac{5}{16}$%)
Liffe long gilt future:	Mar $101\frac{1}{16}$	(Mar $101\frac{3}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day Mar	$17.9	(18.0)

Gold

New York Comex Jan	$329.9	(331.1)
London	$330.85	(331.05)

STERLING

New York lunchtime:		
$	1.51315	
London:		
$	1.5145	(1.538)
DM	2.3975	(2.425)
FFr	8.11	(8.2025)
SFr	2.2125	(2.235)
Y	187.75	(190.25)
£ Index	78.6	(79.5)

DOLLAR

New York lunchtime:		
DM	1.5835	
FFr	5.3575	
SFr	1.462	
Y	123.95	
London:		
DM	1.5835	(1.577)
FFr	5.355	(5.3325)
SFr	1.4685	(1.4535)
Y	124.85	(123.65)
$ Index	65.7	(65.4)

Tokyo close Y 124.0

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr15		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr16.00	Switz	SFr3.20		
Denmark	DKr15	Italy	L2700	Oman	OR1.60	Syria	S£50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	UAE	Dh11.00		

EC attacks anti-dumping move against 19 countries as unwarranted

US puts duties on steel imports

By Nancy Dunne in Washington and Lionel Barber in Brussels

THE NEW Clinton administration and its main trading partners, including the European Community, became embroiled in their first conflict last night when the the US Commerce Department imposed stiff dumping duties on carbon steel products from 19 countries.

The European Community attacked the decision, describing it as unwarranted and heavy-handed. Sir Leon Brittan, EC trade commissioner, said he would raise the matter urgently in talks early next month in the US with Mr Mickey Kantor, the new US trade representative.

The action, Sir Leon, said was "also particularly unfortunate and inopportune at the beginning of a new US administration".

The 19 countries affected are Argentina, Australia, Austria, Belgium, Brazil, Britain, Canada, Finland, France, Germany, Italy, Japan, South Korea, Mexico, the Netherlands, Poland, Romania, Spain and Sweden.

In an effort to defuse a potentially explosive trade conflict, Mr Ron Brown, commerce secretary, coupled the announcement with a statement distancing himself from the findings. "They are not policy statements" but "mandated procedures and are the result of exhaustive investigations", he said.

Steel is the first in a queue of potentially serious trade conflicts between the US and its trading partners. These include vehicle imports, oil, aviation services and government procurement. A number of powerful US lobbies have high expectations that the Clinton administration will act more firmly than President George Bush against "unfair trade".

The duties are particularly resented by producers because they cover the period under which the EC and other steel exporters had operated under a global "voluntary" restraints agreement with the US.

Sir Leon said the EC steel producers had "scrupulously respected" this voluntary restraints agreement which ran for 10 years until last March. Indeed, it had not even fully used up its quotas. "The US wants two bites at the cherry . . . and is therefore breaking the spirit of its previous agreement with the Community."

Sir Leon has ordered staff to seek consultation with the US under the Gatt procedures and officials declined to comment on possible retaliation.

But the US move comes at a sensitive time because the Commission is leading efforts to cut capacity in the EC steel industry amid falling prices and a flood of cheap imports from eastern Europe. A preliminary review is expected next week. Asked if the US move might encourage the EC to approve more state aid to its steel industry, a spokesman declined to comment but stated: "We will defend the Community steel industry."

The Commerce Department will make its final determination on April 12 for Argentina, Canada, Italy, Japan, Mexico and Romania and by mid-June for all others. The US International Trade Commission will then have 45 days to determine whether imports – most of which came when US steel was protected by quotas – or other factors injured the US steel industry.

The US steel industry launched the latest attack on foreign steel last June. On November 12, the Commerce Department issued a preliminary finding that steel shipped from 12 countries had received unfair state subsidies.

The complaints encompass about $2bn worth of annual flat steel imports used in cars, ships, home appliances and constructing. They represent about 60 per cent of US steel imports.

The duties are "temporary" in that they could be revoked in the summer by the ITC if US producers fail to prove that imports have injured them. But they will immediately be levied in full and held in bond until the final ruling. Exporters to the US argue that it is immaterial whether the duties are "temporary", since the uncertainty created by the ruling may ruin their prospects.

The highest tariff – 109.22 per cent – was levied on steel plate exported by British Steel. Otherwise, the highest penalties affecting the EC will be levied on companies in Spain (105.61 per cent) and Italy (53.88 per cent).

Greenspan sees 'hopeful signs of solid growth'

By Michael Prowse in Washington

MR ALAN GREENSPAN, the Federal Reserve chairman, yesterday signalled under tough questioning from congressional Democrats that he would co-operate with the Clinton administration in promoting a sustainable economic recovery.

"For the coming year we will continue playing a constructive role in supporting an extension of the recent more hopeful signs of solid growth," he said in an apparent hint that the Fed did not contemplate a rise in interest rates in the foreseeable future.

Offering a cautiously upbeat assessment of economic prospects, he said activity had been increasing at a "firmer pace of late". The headwinds that had retarded growth had slackened somewhat, but "this is not to say we have clear sailing ahead".

Households and businesses were still "struggling to redress structural imbalances unparalleled in the postwar period". Although domestic demand was improving, poor performance abroad was "acting as a drag on our exports and our output".

Mr Greenspan was testifying before the Joint Economic Committee of Congress in his first appearance on Capitol Hill since President Bill Clinton's election victory.

Democrats on the committee criticised Mr Greenspan for cutting interest rates too slowly during the recession and urged him to pledge his full support for White House and congressional efforts to revive the economy.

Mr Greenspan said co-operation was "accelerating" between himself, other members of the Fed and the administration. The traditional weekly breakfast meeting between the Fed chairman and the treasury secretary had been reinstated after a lapse during the Bush years.

Mr George Stephanopoulos, the White House spokesman, yesterday confirmed that the Fed and White House were trying to co-operate more fully. "The president wants to work closely with chairman Greenspan, and I think they share the same goals." Shared objectives included a recognition of the need for more jobs, he said.

Mr Greenspan expressed support for tough and credible action to reduce the budget deficit. There was no risk of the econ-

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A Serb volunteer on his way to fight against Croat incursions in the Serbian-held enclave of Krajina celebrates with street musicians in Belgrade Page 16

KLM to examine links with Swissair, SAS and Austrian

By Ronald van de Krol in Amsterdam and Paul Betts in London

KLM Royal Dutch Airlines is considering launching formal negotiations on strategic co-operation with Swissair, Scandinavian Airlines System and Austrian Airlines.

The partnership talks are the latest example of the growing trend of consolidation in the airline industry with carriers scrambling to forge alliances with other international airlines in an effort to globalise their activities and position themselves in the newly liberalised European aviation market.

The Dutch carrier, whose merger talks with British Airways ended in failure 11 months ago, confirmed that the four European airlines had already had informal discussions and would now look to begin official negotiations.

KLM declined to say whether it would seek an equity link with the other three airlines, and refused all further comment on the potential deal.

SAS said the four carriers had decided to study "whether official negotiations on some form of strategic co-operation could lead to a successful result".

Swissair, SAS and Austrian Airlines are already grouped in a loose partnership called the European Quality Alliance, which focuses on co-operation in marketing activities and flight timetables.

Although Austrian Airlines is smaller, KLM, Swissair and SAS are roughly the same size and have close similarities in their approach to the airline business.

In recent months, there have also been signs that SAS and Swissair are increasingly keen to strengthen their relationship.

Before entering into negotiations with BA, KLM had held talks with SAS on joining the European Quality Alliance.

These contacts have now been revived, especially since there appears to be little chance of KLM and BA resurrecting partnership talks.

The UK flag carrier is now concentrating its efforts on winning US government approval for its partnership deal and equity investment in USAir, the sixth largest US carrier.

In Europe, BA has also acquired large stakes in a German and a French regional airline as well as taking over Dan Air, the financially troubled UK carrier, since the breakdown of its talks with KLM.

BA has also bought a 25 per cent stake in Qantas, the Australian carrier due to be privatised this year.

Following the collapse of the BA deal, KLM said it would pursue its aim of becoming a global airline and of expanding its European presence through strategic alliances and a substantial increase in its own route network.

With Air France linked up with Sabena of Belgium, and with Lufthansa of Germany aggressively restructuring itself, pressure has been mounting on KLM to seek an alliance with other European partners.

KLM brings to a potential four-way European air pact a minority stake in Northwest Airlines of the US and a strong hub at Amsterdam's Schiphol Airport with further room for expansion.

For its part, Swissair is also part of a trilateral alliance with Singapore Airlines and Delta of the US.

Joint plan for super jumbo to be studied

By Paul Betts in London

BOEING, the world's largest commercial jet manufacturer, and the four European Airbus consortium partners yesterday agreed to carry out a 12-month study into joint development of an 800-seat super jumbo airliner.

If the study is successful, it could lead to a significant realignment in the world commercial aircraft industry and usher in a new era of air travel.

But the agreement between Boeing and the four partners – Aerospatiale of France, Deutsche Aerospace, British Aerospace and Casa of Spain – is also widely regarded as a manoeuvre by both sides to ensure a leading role in any super jumbo project.

Boeing and the European companies will study the demand for a double-deck airliner capable of carrying between 550 and 800 passengers over a range of 7,000 to 10,000 nautical miles.

They will also examine the possibility of forming a consortium to develop and produce the super jumbo whose research and development costs alone are expected to exceed $10bn.

Boeing and the Airbus consortium have been studying the possibility of developing such an aircraft for three years. They agree there will not be sufficient demand to make rival super jumbo projects viable.

"Based on preliminary research, we currently believe that such a project would be too big for any one manufacturer," Mr John Hayhurst, head of large aircraft development at Boeing, said in Seattle yesterday.

"Studies indicate there may be a need for a larger airplane around the turn of the century, but the market for such an airplane is limited," he added.

Mr Jurgen Schrempp, the head of Deutsche Aerospace which has led the negotiations with Boeing, said the development of a super jumbo needed "global collaboration". He hoped Japanese and Russian manufacturers would take part.

Mr Hayhurst said Boeing was entering the feasibility study "with a clear hope of making it a success". The agreement reflected a new way of doing

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CONTENTS

German bankers defend tough line on interest rates

By David Waller in Frankfurt

HOPES of early and substantial cuts in German interest rates were dealt a blow yesterday after two members of the Bundesbank's policy-making council spoke out in defence of the central bank's hardline monetary policy.

Coming the day after Mr Helmut Schlesinger, Bundesbank president, said that excessive pay awards in eastern Germany would rule out early cuts in interest rates, the comments from the presidents of the regional central banks of Bavaria and Baden-Württemberg led to speculation that the Bundesbank had launched a deliberate campaign to lower expectations of a rate cut.

Mr Lothar Müller, president of the Landeszentralbank in Bayern, the Bavarian regional central bank, said that he saw no reason why he could agree to a cut in interest rates under present circumstances.

Speaking in Freiburg, Mr Guntram Palm, president of the regional central bank for Baden-Württemberg, said he was worried about the calls from government, unions and businessmen for a cut in rates. Such a cut would only come when the fundamentals justified a cut, but the dangers for price stability had not lessened, he warned.

The remarks of the two council members, together with those of Mr Schlesinger the previous day, come at a highly sensitive time, as the government is locked in negotiations over the budget and the "solidarity" pact and has yet to reach a deal on public sector pay claims. The private sector meanwhile is negotiating with the powerful IG Metall union over pay in the eastern part of Germany.

Economists said that the timing and the apparent co-ordination of the remarks appeared designed to ensure that governments and unions did not take a rate cut for granted as they entered into the final stages of the crucial negotiations.

The comments also served to knock some of the euphoria out of the financial markets, which have risen sharply this year in expectation of rate cuts by late February or early March. Yesterday the DAX index of 30 shares fell back 13.84 points to 1,562.32 on fears that the rate cut would come later rather than sooner.

The remarks are consistent with the Bundesbank's orthodox line that a cut in the Lombard and discount rates, currently 9.5 and 8.25 per cent respectively, can only come after inflation and money supply have been brought under control. The key figures are January M3 money supply growth and February inflation, both published next month.

Mr Ulrich Hombrecher, chief economist at the West Deutsche Landesbank, said yesterday a cut was still possible by mid to late March, assuming moderate wage settlements and better inflation and money supply fundamentals.

In the interview with Finanzen magazine, given two weeks ago but scheduled to appear tomorrow. Mr Müller said it would be disastrous for the Bundesbank to cut rates for "foreign policy reasons", that is, to relieve pressure on other currencies within the exchange rate mechanism.

Bonn's hopes for wage restraint suffer setback

By Quentin Peel in Bonn

HOPES for rapid progress towards wage restraint in Germany suffered a setback yesterday as construction workers presented a 6.9 per cent pay demand, and negotiations on behalf of 80,000 chemical industry workers in east Germany broke down.

The construction workers in the IG Bau trade union are also demanding that equalisation of wages between east and west German workers be brought forward to April 1.

Mrs Monika Wulf-Mathies, leader of the powerful public sector workers' union, ÖTV, formally rejected any move to slow the process towards wage equalisation for her members in the east. Negotiations for a new public sector pay deal are due to restart next week, after two abortive rounds.

The eastern chemical industry workers rejected an attempt by employers to negotiate a four-month pay freeze. They declared the negotiations formally broken down and called for appointment of an arbitrator. The union is demanding pay levels of 75 per cent instead of 60 per cent of the wages paid to chemical workers in the west.

The German government and employers are campaigning for a slowdown in pay demands, above all in the ailing east German economy, as part of the solidarity pact being negotiated between the unions, the government, opposition and industry. So far, there is little sign of progress on that front.

The gloomy wage news coincided with conflicting signals in Bonn about the solidarity pact talks themselves.

On the positive side, leaders of Chancellor Helmut Kohl's Christian Democratic Union (CDU), the main party in the ruling coalition, agreed to consider proposals for a new financing system for the massive labour market subsidies being paid to east Germany.

That move could provide the key to a compromise in the talks, bogged down in differences with the opposition Social Democratic Party (SPD) over cuts in social spending and over how to share the burden of financing the east.

The CDU is clearly split, both on the question of how to finance unemployment benefit, retraining costs and job creation schemes in the east, and on the basic issue of how much money can be made available to subsidise the east German Länder.

A five-hour meeting of the party leaders on Tuesday night agreed to look again at both questions, raising hopes of a possible compromise with the SPD.

The latter insists that more generous industrial and investment subsidies must go to the east, but also says that increased direct taxation in the west should bear the brunt of the cost.

Until now, increased charges on national insurance, not paid by civil servants or the self-employed, have been covering most of the unemployment and retraining in the east.

FLIGHT FROM THE ROUBLE: Despite the Russian currency's recent plunge, President Boris Yeltsin appears relaxed as he speaks to members of the government on his departure yesterday from Moscow to India for a state visit

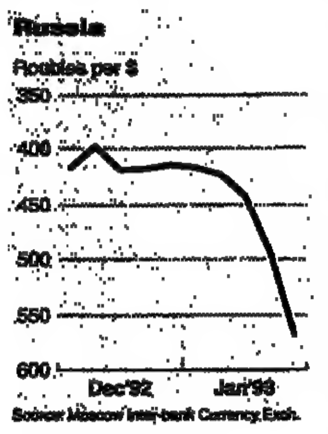
'The plan is perfect. But does anyone believe it?'

As the rouble plunges, Leyla Boulton assesses Russia's crisis package

THE rouble's plunge to a record low on Tuesday, the day the government published details of its anti-crisis programme, underlined the dilemma of Russian economic reformers. The symptoms of crisis could not be clearer; the government now has to show it can apply the impressive set of remedies it has promised on paper.

The rouble's 15 per cent plunge to Rbs568 to the dollar was largely the consequence of a loose monetary and credit policy for which both the government and central bank share the blame. With inflation at 10 per cent a week and the bank's discount rate at 80 per cent a year, banks and enterprises scrambled to dump their roubles for dollars.

The package drawn up by Mr Boris Fyodorov, the new deputy prime minister for economics and finance, includes detailed measures to fight inflation and defend the rouble. It even revives an ambitious target, agreed with the IMF but missed last December, to cut the budget deficit to 5 per cent of GDP by the end of this year, compared to 15 per cent last month alone.



"The plan is so perfect that it could almost be agreed with the International Monetary Fund as a standby programme tomorrow: the question is, do we believe it?" asked one western diplomat, referring to a so-far elusive IMF accord to underpin economic reforms.

Some of the package's detailed technical reforms, such as moving away from inflationary credit emission by greater reliance on state borrowing to finance the budget deficit, is already under way. The Finance Ministry is due in March to issue its first short-term government paper.

The west is expected to help. Conclusion of a debt rescheduling agreement, which would help relieve Russia's acute balance of payments problems, is likely as soon as Russia can overcome Ukrainian resistance to Moscow's plan to assume sole responsibility for the $80bn foreign debt. Mr Fyodorov also intends to ask for the unblocking of a promised $6bn fund to stabilise the rouble. Other measures, such as fighting the dollarisation of the economy and capital flight, may prove difficult to deliver given the lack of confidence in the authorities.

But the programme's key anti-inflationary strategy – reviewing subsidies to inefficient enterprises and getting the central bank to restrict the growth of money supply – can come about only if there is a consensus between the government and the central bank.

Mr Fyodorov said yesterday he had reached a tentative agreement with the central bank on the need to increase interest rates to the level needed to fight inflation and to limit the distribution of credits to enterprises.

The central bank, which has often been unfairly blamed by a free-spending government, is to present its proposals on credit policy in two weeks.

A senior bank official said he believed Mr Viktor Gerashchenko, the bank chairman, could strike a deal with the government "as long as it was made to look attractive politically" – referring to the free-spending parliament he is answerable to.

But even as Mr Fyodorov was meeting central bankers, Mr Viktor Chernomyrdin, the prime minister, was promising lots of money for agriculture – a reminder that the government must practise the restraint it preaches.

One expert forecast yesterday that no progress would be made until the rouble hit the humiliating threshold of Rbs1,000 to the dollar. This in turn would prompt either implementation of the plan's key tenets, or an attempt to reimpose an old-style command economy.

Commodities, Page 28

Slovaks fail to pick president

THE Slovak parliament yesterday failed, for the second time in two days, to elect a president, and it will have to vote again next month, writes Patrick Blum in Prague.

Mr Roman Kovac, the candidate of the ruling Movement for a Democratic Slovakia (HZDS), received 78 votes, improving on the 69 he won in the first round, but this was still short of the 90 needed in the 150-seat parliament to secure the presidency. His only other opponent, Mr Milan Ftacnik of the Democratic Left Party, which groups the former communists, received 31 votes. There were severalabstentions, and eight invalid votes.

The results are a blow to Mr Vladimir Meciar, the prime minister and HZDS leader, who had strongly backed Mr Kovac. The next round of voting will take place on February 15-16, with new candidates. Meanwhile, the HZDS will hold discussions with other parties to find a consensus candidate.

Russian state oil company in clear

Mr Mikhail Gurtovoi, head of the Russian government's anti-corruption commission, yesterday apologised to Nizhnevartovskneftegas, one of the biggest state-owned oil companies in the country, for having accused it of putting aside 1.5m tonnes of oil for illicit sales, writes Leyla Boulton in Moscow.

He said that the accusation was made to his commission by a group of academics who had visited the region, but that a subsequent investigation had failed to prove the enterprise was guilty of any wrong-doing.

Mr Gurtovoi said yesterday that the commission had been disbanded by President Boris Yeltsin, in a decree which would not be published. He said he did not know why this had happened.

The accusation was reported in the Financial Times last August.

French greens gain on Socialists

France's ecologists have almost caught up with the ruling Socialist party in public support, two months ahead of parliamentary elections, an opinion poll published yesterday showed, Reuter reports from Paris.

The BVA poll for Paris-Match magazine put support for the United Ecologist list at 19 per cent, a gain of four percentage points in two weeks, while the Socialists stood at 19.5 per cent, as their slow erosion was continued. The ecologists draw much of their support from disillusioned Socialist voters. The centre-right alliance of the RPR and UDF slipped to 39 per cent from 41.5 per cent.

The extreme-right National Front was credited with 11 per cent and the Communist Party with 8 per cent.

Norway, Sweden drop treaty

Norway and Sweden, agreeing they were unlikely to go to war with each other, yesterday tore up a 1905 treaty creating a demilitarised zone between the nordic neighbours, Reuter reports from Stockholm.

The two foreign ministers, Ms Margaretha af Ugglas of Sweden and Mr Thorvald Stoltenberg of Norway, abolished the treaty, which was meant to lower tension when Norway and Sweden ended their 91-year union in 1905.

Investment into Romania up

By Virginia Marsh in Bucharest

DIRECT foreign investment in Romania doubled in 1992 and is expected to show a similar increase this year, the country's development agency said yesterday.

Foreign companies committed $269.1m last year, bringing total foreign investment to $537.8m since the overthrow of the Ceauşescu regime in December 1989.

Western European groups continue to provide most of the capital, accounting for 69 per cent of investment with North America providing 15 per cent.

Shell, one of four western companies to be awarded oil exploration contracts, made the biggest single investment in 1992, worth $44m. However, Italian companies, which have targeted textiles, engineering and metallurgy, are the top investors with $70.5m, according to Romanian Development Agency figures.

Despite uncertainty over the new government's commitment to far-reaching economic reform, the RDA is confident investment will double again in 1993.

With funding from the European Community's Phare programme of aid to eastern Europe and the former Soviet Union, the agency recently hired Saatchi and Saatchi, the advertising agency, as part of moves to improve the country's image with investors and publicise its fledgling privatisation scheme.

"There is a relative lack of information about Romania and investment opportunities here. Countries like Hungary have promoted themselves more than we have, and it shows. We intend to remedy that this year," said Mr Florin Bonciu, RDA director general.

In addition, the state-funded RDA has proposed amendments to the foreign investment law to enable foreign companies to own land in Romania and repatriate profits.

Scientists launch new Aids appeal

By Clive Cookson, Science Editor

THE MOST ambitious effort so far to raise funds for fighting Aids will be launched in Paris today.

Professor Luc Montagnier, Europe's best-known researcher into the disease, and Dr Federico Mayor, director-general of Unesco, are seeking hundreds of millions of dollars for their new World Foundation for Research and Prevention of Aids.

The foundation, based at Unesco headquarters in Paris, hopes to raise money from both private and public sources to "intensify the global struggle against Aids".

Prof Montagnier, its president, is looking for donations, such as the FFr1m ($180,000) "seed money" given by a group of Italian banks, and for investments from companies looking to make a long-term financial return from collaborative research with the foundation.

He also hopes to work with the new US administration, which has undertaken to increase spending on Aids.

The foundation will set up three new centres – one in France, one in the US and one in Africa – where its scientists can follow the progress of people who are infected with HIV but who do not yet show any symptoms of Aids.

One aim is to develop rapid clinical tests that could evaluate the effectiveness of new drugs more quickly than those available today.

Establishing the three clinical centres and running them for five years would cost an estimated FFr930m. In addition, the foundation plans to sponsor more basic research, for example into co-factors – other viruses and bacteria which act together with HIV to cause Aids.

Prof Montagnier's own laboratory in the Institut Pasteur in Paris is working intensively on research into co-factors.

The first project in the foundation's programme of social work is to provide education for Ugandan orphans whose parents have died of Aids, at an estimated cost of FFr5m.

Prof Montagnier says he looks forward to working more closely with Aids researchers in the US – including Dr Robert Gallo of the National Cancer Institute.

The two scientists were officially credited with discovering HIV jointly in 1984, but a US government inquiry found Dr Gallo guilty early this month of misconduct in his research.

"It's time to leave all that behind us," Prof Montagnier said. "It has given the public a bad image of Aids research."

Polish coalition under fire despite signs of recovery

The IMF conditions are spurring unrest after three years of recession, write Christopher Bobinski and Anthony Robinson

POLAND'S coalition government, led by Ms Hanna Suchocka, the prime minister, is facing a parliamentary challenge to its stringent, IMF-approved budget policies just as the Polish economy is showing signs of recovery after three years of reform-induced recession.

Last year, for the first time since 1988, industrial production grew by 3.5 per cent. Were it not for a drought-reduced harvest the Gross Domestic Product would also have registered a gain.

The bad news is that parliamentary opposition is holding up the government's effort to push through a 1993 draft budget which sets a ceiling of 5 per cent of GDP on the public sector deficit.

Successive votes on public sector pay, housing and VAT rates have already added 16,000bn zloty ($992m) to the proposed 81,000bn zloty deficit target. The gap could widen further as deputies, eyes fixed firmly on future election prospects, seek to cut personal income tax rates and minimalise the government's planned pension savings.

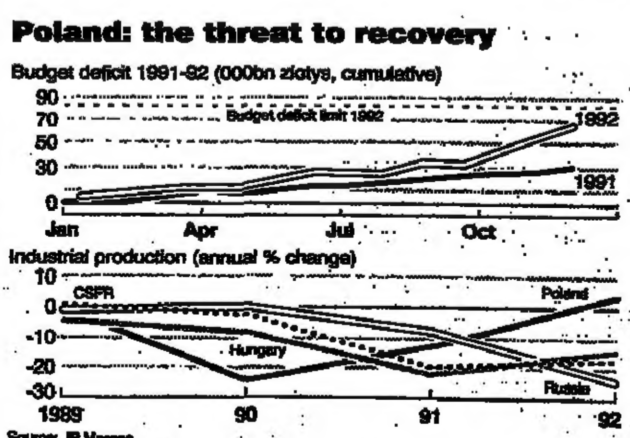
The stakes are high, as the government is tied to its deficit target by a letter of intent linked to a $660m IMF standby loan. Securing the loan is required to trigger a further 20 per cut in Poland's $31.7bn official debt to western governments after an initial 30 per cent reduction in 1991.

Failure to keep spending within agreed limits would require new negotiations, delaying both the official debt reduction process and talks on Poland's $13.3bn commercial bank debt with Mr Krzystof Krowacki, Poland's newly appointed debt negotiator.

Talks were stalled for 18 months after the sacking of Mr Janusz Sawicki over a scandal involving illegal secondary-market Polish debt sales.

Given these high stakes the government is considering two contingency plans. One is to demand a vote of confidence to force the disparate parliamentary opposition to approve the budget as originally drafted. The risk is that such a gamble could fail, leading to the fall of a government which appears to have no obvious successor, apart from President Lech Walesa, who periodically repeats that he is ready to take on reponsibility for direct government should he be called on.

Suchocka: faces challenge



The second course would be to accept a higher deficit and then raise new revenues using new decree powers, backed by the president, which the government has prepared but parliament still has to approve.

Ms Suchocka, a 46-year-old former law professor from Poznan, has already surprised observers by her success in holding together a seven-party coalition ranging from free-market liberals to right-wing nationalists and her own group, the moderate Democratic Union.

Her nerve has already held through two big strikes, that of car workers last summer and the recent strike by 300,000 miners, and the government is sensitive to the need to involve workers and unions in the difficult decisions facing it.

Worker unrest has been spurred by growing income differences, rising unemployment and a 4 per cent fall in average real wages last year. But lower wage costs helped Polish enterprises to raise exports to western markets and restrained the growth in imports.

Export-led growth in turn helped to slow the rise in unemployment, which nevertheless climbed to over 2.5m by the end of the year.

The government's response to shop floor unease has been to propose an "Enterprise Pact" with the unions.

This policy seeks to involve workers in the privatisation process and guarantees some worker participation in management, even in the private sector.

One of the aims of the pact is to ease wage controls and the tax burden on state-owned enterprises and shift broad economic strategy decisions to a national tripartite commission representing unions, employers and the government.

It remains to be seen whether the pact will convince public opinion, which remains sceptical, especially among the unemployed and those, mainly with jobs in the public sector, whose incomes have fallen.

President Walesa, who retains his instinctive feeling for the popular mood, has warned that the country could experience an "economic August", a reference to the mass strikes of August 1980 which gave rise to the Solidarity movement.

The economic achievements of the last year however appear to belie such pessimism. Inflation dropped to 43 per cent last year from 60 per cent in 1991, productivity has risen by 12 per cent, and Poland registered a $734m trade surplus over the first 11 months.

However, enterprise profitability remains low, capital spending has yet to recover and public sector industries remain deeply in debt.

The biggest surprise is that rapid growth in the private sector has been accompanied by improved efficiency among the remaining 8,000 state-owned enterprises.

This combination has led the World Bank to conclude that economic improvement has "a solid microeconomic foundation and will be sustained" despite the relatively slow rate of foreign investment and delayed sales of state-sector enterprises.

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Moi suspends parliament after clashes

By Julian Ozanne in Nairobi

PRESIDENT Daniel arap Moi yesterday suspended Kenya's first multi-party parliament in 26 years. The announcement, in a news flash on state-run radio, came after rowdy scenes inside and outside the House on Tuesday marred the new parliament's first sitting since flawed elections last month.

Diplomats said the president, reported to be extremely upset by the anti-government demonstration, was showing the opposition he still has considerable executive power.

Opposition politicians immediately condemned the move, which they said proved the president was incapable of making the adjustment from a one-party state to a multi-party parliamentary democracy and would continue to misuse his constitutional powers.

Officials said Mr Moi alone would announce a date for the official opening of parliament; meanwhile, he wanted newly-elected members to return to their constituencies to listen to the needs of their electorate.

A western diplomat said Mr Moi had been shaken by the protests, when anti-riot police on horseback dispersed pro-opposition crowds who stoned the cars of several ministers and blocked the road ahead of the president's motorcade.

Inside the House, Mr Moi had his first taste of the cut-and-thrust of parliamentary democracy as opposition MPs heckled members of the ruling party Kanu and shouted down Mr Nicholas Biwott, the former cabinet minister and presidential confidant.

"Mr Moi wants time to consider how he is going to deal with what is clearly a difficult, new and unpleasant political situation for him," the diplomat said. Last month's elections returned 88 opposition MPs. Kanu won 95 seats, with five still disputed. President Moi has powers to appoint a further 12 members.

A SOBBING Hindu woman, searching for her children last night, walks past a burnt Moslem shop in the old walled city of Delhi after clashes between groups of Hindus and Moslems. At least one man was killed and five others injured in the renewed outbreak of inter-religious violence, writes Stefan Wagstyl in New Delhi.

The clashes demonstrated that tensions between Hindus and Moslems are still running high in the wake of the destruction seven weeks ago of the mosque at Ayodhya in northern India, which prompted riots across that part of the country.

The trouble yesterday started when young Hindus stoned a small mosque in the predominantly Moslem old quarter, and set alight nearby shops and homes. Moslems fought back and the police opened fire.

The dead man, believed to be a Moslem, died of stab wounds, they said. Police imposed curfews in the surrounding area and in other Moslem districts, including north-east Delhi, where considerable violence occurred last month.

Other parts of the city, including government and commercial centres, stayed calm. Meanwhile, in Bombay, police were out in force in a suburb where two people had been killed on Tuesday by police fire after Moslems stoned a Hindu crowd.

More bad news for Japanese manufacturers

By Charles Leadbeater in Tokyo

JAPANESE manufacturers' inventories of unsold products, as a proportion of sales, are still rising despite a 6.1 per cent cut in industrial production last year, official figures reveal.

The figures, published by the Ministry of International Trade and Industry yesterday, show industrial output last month was 1 per cent down from that of November, and 8.2 per cent down on that of the equivalent month in 1991.

The fall in production was worse than officials had expected and suggests further cuts in Japanese manufacturing output will be made before inventories are reduced to levels allowing production to start growing again.

Industrial production has been falling for 15 months, the longest run of consecutive falls since the slump in output during the first oil price shock between May 1974 and December 1975.

Manufacturers' inventories are rising as a proportion of their sales because consumption has slumped, particularly of large costly items such as furniture, cars and electronic household goods.

Miti's preliminary figures for December show shipments of goods from factories fell 0.8 per cent, while the absolute level of inventories fell 0.6 per cent.

However, the ratio of inventories to sales rose by 0.4 per cent as consumption fell away. Industrial output for last year as a whole fell by 6.1 per cent, shipments by 4.8 per cent and inventories by 0.9 per cent. Last year, the inventory-to-sales ratio was up 9.5 per cent.

Miti expects output to rise 1.9 per cent this month and 2.3 per cent next, despite a continuing fall in consumption.

Separate Miti figures published yesterday show sales of large retailers fell 5.7 per cent in December.

Jordan hopes for $350m donor aid

By James Whittington in Amman

JORDAN is hoping to secure up to $350m (£230m) from donor countries meeting in Paris today to make up projected deficits in the kingdom's balance of payments for 1933.

The aid, most likely to take the form of credits and sector-linked protocols, is required to fulfil the strictures set by the International Monetary Fund as part of Jordan's economic adjustment programme for 1992-8.

The meeting to be held under the auspices of the IMF and the World Bank, is due to be attended by 24 donor countries including members of the EC and Japan.

The Jordanian delegation, led by Finance Minister Basel Jardaneh and Planning Minister Zayad Fareez, is said to be optimistic that the kingdom's needs will be met.

The annual cost of servicing external debt of about $6.6bn is estimated to be about $1.1m, 49 per cent of which is due to be paid this year under the IMF programme, Mr Fahed Fanek, an economist close to the government says. The finance ministry says the request for $350m is required to meet this payment in full.

Jordan boasts an impressive economic record since the adjustment programme began.

With capital inflow in the form of aid from western countries and money brought in by over 300,000 returnees evicted from Kuwait after the Gulf war, the kingdom has boosted its foreign exchange reserves and local investment, especially in the building sector.

Real gross domestic product growth for last year was about 11 per cent, and the kingdom's foreign debt has been reduced substantially from the $8bn owed in 1991 due to repayment and buy-back transactions.

Jordan's GDP for last year was $3.98bn. But because of economic success, diplomats in Amman have expressed reservations that Jordan's demands at the Paris talks will be met in full.

"Donors may not even need to offer the concessions the government hopes for," a western observer said. "Jordan could be a victim of its own success."

Co-existence hides a climate of fear, writes **Stefan Wagstyl**

Hindus triumphant in a quiet village in the north of India

HINDUS and Moslems live cheek-by-jowl in Roshangarh village in northern India, sharing the rich red earth, the well and the cart-track which leads past piles of cow dung to the outside world.

Yet generations of co-existence in the village, about 60km north-east of New Delhi, have not erased the invisible line separating the two communities. The brightly-painted temple to Lord Shiva stands at one end of the village, the white-washed mosque at the other.

The villagers have never been so acutely aware of their differences as in the seven weeks since Hindu militants destroyed the mosque in Ayodhya. The inter-religious riots which swept through many Indian cities passed Roshangarh by. As in almost every other Indian village, there was no violence. But there is tension in the air.

The Hindus are triumphant. "We are very happy to see the [Ayodhya] mosque pulled down; 464 years ago it was a Hindu temple and now it will be a temple again," says Rajendra Kumar, a 30-year-old farmer.

Mr Dharmendra Singh, a tough-talking 25-year-old, says: "I want the Moslems driven out of India. They have many countries. They can go to Pakistan. Hindus only have India." Other villagers say that at the very least Moslems should be deprived of the vote. "We want Hindu Raj [rule]," says Dharamveer, the headman.

Almost without exception, the Hindu villagers support the Bharatiya Janata party, the Hindu militant party whose supporters stormed the Ayodhya mosque. Even their language is the language of the BJP, a tribute to the party's formidable propaganda and organisational skills. Eleven villagers serve on the local area BJP committee.

But the Hindu villagers are reluctant to apply their general condemnation of Moslems to their Moslem neighbours. Roshangarh is a rich village with electricity and piped water. The wealthier villagers have two-storey houses which tower over the surrounding huts. They would lose much if Roshangarh were ever consumed by violence.

The Hindus say no trouble has ever occurred in the village. Hindus and Moslems still work together on village councils organising daily matters such as repairing roads. "Ayodhya will not change this. We will still talk in the street. We will greet them at the time of festivals," says an older villager. Mr Singh, the young firebrand, disagrees. "Things will change for them when the BJP takes charge. They know it."

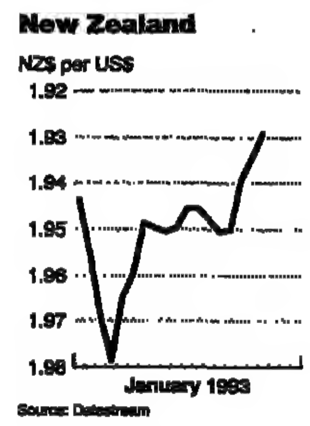
The Moslem villagers are nervous and reluctant to talk openly, but their 38-year-old Imam, Mr Abdus Sattar, is not afraid to speak on their behalf. The Moslem villagers are angry about the destruction of the mosque and fearful about the possibility of BJP government. "We believe the BJP is anti-Moslem," says Mr Sattar. "We may lose our rights if they get to power."

He is also anxious to avoid giving offence. He says there is no trouble-making in the village, no arguments in the streets. Nothing. Moslems and Hindus do not talk very much about religion. They never have done.

An old farmer adds: "There's too much work in the fields for us to argue." But Mr Sattar is worried about the future: "When the general atmosphere in the country is poisoned, the poison eventually reaches into the villages."

NZ acts to relax monetary policy

By Terry Hall in Wellington



THE NEW Zealand Reserve Bank said yesterday it was relaxing its monetary policy after intervening earlier this month to support the New Zealand dollar in defence of its anti-inflation targets.

Bank governor Dr Don Brash said he was satisfied at "the continued consolidation" of the New Zealand exchange rate at current levels. Yesterday, the dollar was trading at 53.8 NZ cents against a trade-weighted index of main currencies, having traded at 53.5-53.8 recently. When the bank intervened earlier this month it was 52.4.

The bank has been made independent of the Finance Ministry in the way it handles monetary policy, with the aim of achieving 0-2 per cent inflation. The bank acted when it believed the drop in the value of the dollar endangered its inflation goal. Yesterday the bank said it was cutting the discount margin at which it will buy eligible Reserve Bank bills from 150 to 120 basis points. It was increasing the settlement cash target from NZ$10m (US$5.2m) to NZ$15m.

This is the first movement in the discount margin since the cental bank intervened. It is the third time the bank has acted to increase the settlement cash target. Earlier this month, this was slashed from NZ$20m to zero and then progressively lifted.

Interest rates have declined following a leap after the bank intervened. On Friday, cash rates were quoted at 11 per cent and 8.45 per cent yesterday. Thirty-day bank bills (9.55 per cent on Friday) were 8.35 per cent yesterday; 90-day bank bills (8.45 per cent last week) were 7.85 per cent yesterday.

Russia may shift stance on Iraq

RUSSIAN Vice President Alexander Rutskoi was quoted as saying yesterday that Moscow was ready to use its veto power in the United Nations Security Council to halt "ill-conceived" US attacks on Iraq, AP reports from Moscow.

His criticism was among the harshest yet by a Russian leader and was at odds with the line taken by President Boris Yeltsin. The vice president has often disagreed with Mr Yeltsin, and his comments reflected hard-line pressure on the president to oppose the US actions.

The United Nations must "not allow the US to act in this way on its own will," Mr Rutskoi told the Interfax news agency. Russia was prepared to use its "possibilities" as a veto-wielding member of the Security Council to prevent further raids.

"I am against the tactics of force against Iraq being employed by the United States," the vice president told Interfax.

Several Russian officials and lawmakers stepped up their criticism of the US raids following an attack on Baghdad this month. The Foreign Ministry later demanded a UN review of the US actions.

Mr Rutskoi criticised the "disproportionate and sometimes ill-conceived deployment of the US military." He accused the US of claiming UN permission for the raids while acting almost unilaterally.

● Armed Iraqis have crossed the border three times over the past week to rob Kuwaiti farmers and their Asian employees, Sheik Ahmed al-Hamoud al-Sabah, Kuwait's interior minister, said yesterday.

He said he believed the intruders were Iraqi security police dressed in civilian clothes. They stole money, watches and television sets, he said.

Nevertheless, the minister noted that security had improved markedly since January 17, when Iraq removed six police posts from land ceded to Kuwait under a new border demarcated by the United Nations last year.

"But still we have incidents, especially shooting at night," said Sheik Ahmed.

There have been numerous border incidents involving smugglers of sheep, whisky and guns since the end of the Gulf war nearly two years ago.

Both the minister and western officials said agricultural projects along the border were most likely to be the flashpoint for future clashes between Iraq and Kuwait.

About 50 Iraqi farmers must move onto Kuwaiti soil to harvest their crops – mostly tomatoes, along with onions and garlic, officials said.

Angola peace talk hopes

Angolan government officials and their rebel Unita opponents arrived in Addis Ababa yesterday for talks to end war raging across Angola, Reuter reports from the Ethiopian capital.

Ethiopian officials said a four-man team of Unita generals had arrived and a first round of talks with a government team was due to start in the evening.

Although a temporary ceasefire was negotiated fierce fighting continued yesterday around the city of Huambo, UN officials told AP in Luanda. Thousands have been reported killed in three weeks of fighting there.

HK boundary plans aired

By Simon Holberton in Hong Kong

HONG KONG Governor Chris Patten's plans for the territory's political development will receive their first airing tomorrow when the colonial government publishes legislation for the creation of an electoral boundaries commission.

The commission, which is regarded as one of the government's less controversial proposals, will have three members, one of whom will be a High Court judge who will act as chairman.

It will make recommendations to the governor's Executive Council or cabinet, concerning the boundaries of 20 one-member constituencies in the Legislative Council, Hong Kong's law-making body, for the colony's 1995 elections.

These members will be returned by universal suffrage.

A government spokesman said the commission would also be responsible for conduct of the elections.

The impartiality of Hong Kong's electoral system would be further strengthened by establishment of the commission.

In October last year, Mr Patten outlined a seven-point plan for the political development of Hong Kong until 1997, the year in which China resumes sovereignty over the colony.

These plans, especially the ones that envisaged a broadening of the franchise, have drawn a sharp response from China which has refused to talk to Mr Patten or the British government about them.

Legislation embodying these more controversial proposals is expected to be presented to the Legislative Council by the end of February. During review, this legislation is widely expected to be amended in the hope of gaining at least China's tacit approval.

A government spokesman said that a copy of the draft legislation for a boundaries commission was given to China more than a week ago, but it has yet to make a response.

Trade with China puts Mandalay on the road to riches

The free-wheeling economic policy of Burma's junta has spawned a generation of black marketeers, writes **Victor Mallet**

BURMA is supposed to be poor and oppressed, but you would have trouble believing it at the Dynasty. Recently opened on the roof of a concrete office block, Rangoon's most fashionable restaurant and night-club is seething with noisy revellers and new money.

Not content with spending the equivalent of a government minister's monthly salary on an indifferent Chinese meal (the menu includes the delightful but mysterious Hot and Sour Mutton Fighting Ball), the Dynasty's *nouveaux riches* diners cheerfully flaunt their remaining banknotes and stuff them into the hands of the gyrating female singers on stage.

Mandalay, 350 miles to the north, looks even richer. Imported Japanese cars cruise the streets; shops are full of colour televisions, hi-fi systems, fake Ray-Ban sunglasses from Thailand, fancy watches and torch-clock-radios; the market stalls are groaning with toys and textiles from India and China.

Neighbouring China is the key to Burma's new veneer of affluence.

For the past four years the generals in the Burmese military junta known as the State Law and Order Restoration Council (Slorc) have gradually freed the economy from government control, tolerating the black market, liberalising trade with China and giving free rein to the ethnic Chinese entrepreneurs who dominate business in Burma as in the rest of south-east Asia. The Slorc has also struck deals with the warlike tribes on the frontier.

The chief architect of Mandalay's free-wheeling economic policy is General Tun Kyi, who until recently was the region's all-powerful military commander. Even the fiercest opponents of military rule admire his achievements. Mandalay, after all, has long been regarded more as a sleepy repository of Burmese culture than as a business hub.

"Tun Kyi is the godfather of Mandalay," says one Burmese businessman. "If the city needs an electric generator he has it imported from China and then calls in the merchants and tells them to pay their share." In return, of course, the government turns a blind eye to the more dubious business practices of the merchants. "The point is, it works," says the businessman.

Black-market goods being sold on the streets of Rangoon

The free trade boom has spawned a generation of flashy black marketeers; they smoke imported 555 cigarettes and drink Changlee beer brewed in the Chinese border province of Yunnan or Heineken shipped from Singapore; they boast of their ability to buy police chiefs and immigration officers.

One such free trader explained how he exported gems and jade to China in exchange for Chinese cassette players masquerading as Japanese brand-name products. Mandalay, he declared with not a little hyperbole, "will be like Hong Kong in three years".

At first glance it looks as though everyone is profiting from the boom. The citizens of Mandalay say Gen Tun Kyi has repaired the market and beautified the town; the Yunnanese have found a short and convenient trade route to the sea, and China is investing in the repair and construction of Burmese roads and bridges. The Burmese junta, isolated by the west because of its miserable human rights record and its failure to release Ms Aung San Suu Kyi, the detained opposition leader who won the 1991 Nobel Peace Prize, has found a powerful friend in China. Chinese arms salesmen are among those who frequent the bars of Rangoon.

But prosperity and the fragile peace on the border have come at a price. Guerrillas of the Wa and Kokang hill tribes, who are closely related to the Yunnanese over the Chinese border, have stopped fighting the Rangoon government, but only on the understanding that they are allowed to carry weapons and trade in opium from their strongholds in the Golden Triangle.

China is worried about the spread of heroin addiction on its territory, while the inhabitants of central Burma are appalled by the boorish way in which some of the Wa and the Kokang flaunt their money in restaurants and nightclubs, and resentful of the increasing influence of China and the prosperous ethnic Chinese business community.

Since a great fire in Mandalay a decade ago, the ethnic Chinese are said to have bought up the entire town centre with the exception of one small hotel and one shop, and traders say Chinese nationals are buying Burmese identity cards at the border.

The Slorc, mindful of the Burmese nationalism to which it constantly pays lip service, has recently sought to moderate the spread of Chinese influence and to exert more control over the border trade. Gen Tun Kyi has been recalled to Rangoon, ostensibly to become trade minister, but actually, diplomats believe, because his military colleagues feared he was becoming too powerful in his Mandalay fiefdom.

Gen Tun Kyi and his Chinese friends, however, seem to be holding their own. Although he has been theoretically replaced as military commander of the central region, he is still occasionally referred to as the commander by the official press. And in the karaoke bars of Rangoon, they are singing songs in Chinese.

Reform would be 'slow'

Hurd hits at US over UN council

By Edward Mortimer

MR Douglas Hurd, Britain's foreign secretary, hit at US calls for reform of the UN Security Council yesterday, saying: "If it ain't broke, don't fix it." For good measure, he also rapped Britain's ally over the knuckles for not paying its UN dues.

Stressing that Britain had 3,700 troops on UN service, in six different operations, Mr Hurd added pointedly: "we pay our bills on time [whereas] others who carry a heavy burden of international responsibility do not". He was sure "the new US administration will find a remedy for past delays".

Mr Hurd, addressing the Royal Institute of International Affairs in London, avoided any direct criticism of Mr Warren Christopher, US secretary of state, who had said this week that it was "time for some reorganisation of the UN", including permanent membership of the Security Council for Germany and Japan.

Pointing out that Mr Christopher had also acknowledged "the complexity of that decision", Mr Hurd added: "You can say that again".

Such a change, he said, would require amendment of the UN Charter and therefore a wide degree of consensus. "It can't be solved simply by adding Germany and Japan." Candidates for permanent membership would be very numerous, and the outcome would be "hard to predict and slow to reach". Meanwhile, "the Security Council has to get on with its job".

Mr Hurd also complimented France, a fellow permanent member whose position, like Britain's, might be challenged in any reform. Pointing out that France had more than 6,000 troops on UN service, many of them alongside British soldiers, he remarked: "In this new world, the interests of Britain and France are increasingly similar and intertwined".

The foreign secretary's main theme, in a wide-ranging address, was that an international effort, "comparable to those of 1815, 1919 and the years after 1945", was needed "to avert a continuing slide into disorder", and that Britain wished to play "a worthy part".

But he stressed that British troops in the former Yugoslavia had "a humanitarian not an enforcing role", arguing that "no democracy could justify to its people" the forces and risks that would be required to "impose and guarantee order" there.

Mr Hurd reiterated British support for the Geneva conference on Yugoslavia.

Mexico sees clues to Salinas's successor

Favoured five await presidential nod, writes Damian Fraser

A YEAR, or less, before President Carlos Salinas anoints his likely successor, Mexico is asking who looks favoured to receive the chief's *dedazo* (nod), and wondering how independent the presidential election in 1994 might be.

Most political commentators – who believe Mr Salinas will follow the practice of his predecessors and choose the ruling party's candidate for the election – conclude that the immediate effect of recent cabinet changes is likely to be even greater presidential control over the political system.

The displacement of the seasoned interior minister, Mr Fernando Gutiérrez Barrios, by the hard-line Chiapas state governor and distinguished lawyer, Mr Patrocinio González Garrido, removed at least one potentially independent voice.

The vast experience of Mr Gutiérrez Barrios at the interior ministry proved invaluable in the first stormy years of the Salinas administration but the president had grown wary of his negotiations with opposition parties, which seemed only to weaken the morale of the ruling Institutional Revolutionary Party (PRI) and encourage more demonstrations after elections in various states.

The change at interior was accompanied by others no less significant by way of signals.

The new under-minister for electoral matters in the interior ministry is Mr César Agusto Santiago, former electoral chief of the PRI and seen by the opposition as the alchemist behind the party's victory in the 1991 Congressional elections.

The new head of the nominally independent Federal Electoral Institute (IFE) is Mr Arturo Núñez Jiménez, another long-time PRI member, who was under-minister in the interior ministry until his job was given to Mr Santiago.

The former head of the IFE, Mr Emilio Chuayffet, is now an advisor to the interior minister and strongly tipped to be the next governor of the state of Mexico.

With these moves, the government has turned away from putting independent officials in charge of electoral organisations.

The president, no doubt remembering the divisions in the PRI caused by his own selection as presidential candidate in 1987, appears determined to put his own men in charge of the key organs for the party – interior ministry and electoral institute.

However, the president has dropped the attorney-general, Mr Ignacio Morales Lechuga, in favour of the human rights commission president, Mr Jorge Carpizo. "This sends a signal about the government's very clear decision to end impunity both for government officials and criminals," said a presidential spokesman."

The president also appointed his close friend and university colleague Mr Emilio Lozoya to head the new energy ministry.

This extended the list of possible PRI presidential candidates to at least five: Mr Lozoya, Mr Pedro Aspe, the aristocratic finance minister, Mr Manuel Camacho, the populist mayor of Mexico City, Mr Donaldo Colosio, the determined and pragmatic social development minister, and Mr Ernesto Zedillo, the grey-seeming education minister.

All five worked under Mr Salinas when he was budget minister – another indication of the president's almost total control of the political elite. All five are in their 40s, share broadly the president's commitment to economic reform, and went to graduate schools at US Ivy League universities.

Mr Camacho and Mr Aspe are widely believed to have lost ground by the recent cabinet changes. The former is said to have hoped to leave Mexico City, where his political fortunes have been falling as the city's pollution levels have been rising. Also, his love of dialogue and conciliation is the very attitude that seems out of favour in the interior ministry and the presidency.

Mr Aspe is thought to have allied himself with Mr Gutiérrez Barrios, so the latter's departure from the interior ministry would have hurt the finance minister, who was rash enough recently to declare publicly that rising unemployment, falling investment, and declining wages were all "myths". This led to a series of cartoons and articles depicting him as out of touch, and indifferent to the poverty of most Mexicans.

All this sugggests that, although Mr Salinas has presided over impressive cohesion among ministers for the past four years, the race to succeed him is likely to lead to increasingly bitter in-fighting during the next year.

High flyers: Potential successors to President Salinas are (from left) Donaldo Colosio, Pedro Aspe and Manuel Camacho

Venezuela to re-run polls

VENEZUELA'S top electoral body has called a new vote in two states, after the ruling party's refusal to concede defeat in elections last month, Reuter reports from Caracas.

Voters in Sucre and Barinas states will vote on March 14 to elect governors. Opposition party victories there on December 6 have been contested by local officials of the ruling Democratic Action party.

The supreme electoral council voted late on Tuesday to approve new polls, "considering the grave political, social and economic situation" in the two states.

The party – beset by rumours of new coup attempts brewing, and seeking to regain support before presidential and congressional elections in December – has shown concern at turmoil in the states.

Record exports by Brazil

By Christina Lamb in Rio de Janeiro

BRAZIL registered record exports of \$36.2bn (£23.8bn) last year, notching up a trade surplus of \$15.7bn – its third largest ever.

Imports fell 2.3 per cent to \$20.5bn – just 4.8 per cent of GDP, despite a reduction in import tariffs.

Brazil's export success was due in large part to the competitivity of its exchange rate, particularly in relation to neighbouring Argentina. Exports to Argentina doubled from \$1.5bn to \$3.07bn.

The main export successes were meat, paper and pulp, soyabeans, shoes and textiles. Manufactured goods rose almost 13 per cent to \$21.7bn, and car exports were 125 per cent up.

Mr José Eduardo Andrade Vieira, commerce and industry minister, said that the export target this year was \$42bn, with the focus for expansion on Asia. He pointed out that Brazil's total trade was still only 13 per cent of GDP, below the average for Latin America.

Last year's trade performace was even more impressive than the record \$19.2bn surplus recorded in 1988 and the \$16.1bn in 1989, in that Brazil had only recently opened its markets to competition, the minister added.

Reuter adds from Brasília: President Itamar Franco, who had cancelled a February 16 meeting with economic aides, described as "lies" a newspaper report that Mr Paulo Haddad, economy minister, has prepared a plan including measures against inflation, the state news agency reported.

Agência Brasil, quoting Mr Francisco Baker, presidential spokesman, said the meeting was called off because of speculation in financial markets and the press about a new economic plan.

Cuba dispute sways Clinton

By Jurek Martin in Washington

THE senior Latin American policy post at the US State Department seems likely to go to Ms Sally Shelton Colby, following a bitter political dispute between black and Cuban exile lobbies.

Ms Shelton Colby, a regional specialist who served in the Carter administration, has emerged as the politically safe and qualified alternative to Mr Mario Baeza, a black Cuban-American lawyer from New York who was the first choice to be nominated as assistant secretary for Latin American affairs. Mr Baeza fell foul of the Florida-based anti-Castro lobby, led by Mr Jorge Mas Canosa, on the grounds that he might seek to negotiate with President Fidel Castro rather than work for his overthrow.

Exception was taken to a visit to Havana by Mr Baeza last year, after which he spoke of the desirability of ending the 30-year US trade embargo on Cuba.

Congressman Robert Toricelli, a New Jersey Democrat and author of the Cuban Democracy Act which is in part designed to stop foreign subsidiaries of US companies trading with Cuba, has been active in the campaign against Mr Baeza.

However, black congressmen are infuriated by the decision to block his nomination. Mr Baeza is a protégé of Mr Ron Brown, now commerce secretary, and of Mr Vernon Jordan, director of President Bill Clinton's transition team. They have pointed out that Mr Mas Canosa was close to the Reagan and Bush administrations.

Ms Shelton Colby has worked on Capitol Hill for Mr Lloyd Bentsen, now treasury secretary, and in Mr Carter's State Department, eventually serving as ambassador to Barbados and Grenada.

LEGAL NOTICES

Notice of Appointment of Joint Administrative Receivers

OMEGA GROUP PLC

Registered number: 1572551. Former name: Omega Homes Limited. Trade classification: 23.

PROTEUS HEATING & PLUMBING LIMITED

Registered number: 2345380. Former name: Omega Industrial Estates Limited. Trade classification: 27.

OMEGA COMMERCIAL ESTATES LIMITED

Registered number: 1971409. Trade classification: 23.

OMEGA PROPERTY ESTATES LIMITED

Registered number: 2212696. Trade classification: 23.

OMEGA HOMES LIMITED

Registered number: 2347094. Trade classification: 23.

OMEGA CAMPO LIMITED

Registered number: 2347140. Former name: Omega Investments Limited. Trade classification: 23.

OMEGA SHOPFITTERS LIMITED

Registered number: 2347088. Former name: Omega Securities Limited. Trading name: Omega Contracts. Trade classification: 23.

Name and address of Joint Administrative Receivers: David John Stokes and Edward Klempka, Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET. Office holder numbers: 2682 and 3791. Date of appointment: 19 January 1993. Name of Appointer: Yorkshire Bank plc.

Signed: D J Stokes

Date: 20 January 1993

Notice of appointment of Administrative Receiver.

LAKESMERE GROUP PLC

Registered number 2496394. Former company name(s): Lakesmere Group Limited. Trading name(s): Lakesmere Design and Build, Lakesmere Specialist Services, Lakesmere Cladding. Nature of business: Construction and Holding Company. Trade classification: 23 and 26. Date of appointment of Administrative Receiver(s): 15 January 1993. Name of person appointing the Administrative Receiver(s): National Westminster Bank Plc. Joint Administrative Receivers: W J H Elles and A Lovett (office holder nos 1953/01 and 6476/01). Address: Wessex House, 19 Threefield Lane, Southampton SO1 1TW

Notice of appointment of Administrative Receiver.

WALCON CONSTRUCTION PLC

Registered number 1282345. Nature of business: Construction and Civil Engineering. Trade classification: 23 and 26. Date of appointment of Administrative Receiver(s): 15 January 1993. Name of person appointing the Administrative Receiver(s): National Westminster Bank Plc. Joint Administrative Receivers: W J H Elles and A Lovett (office holder nos 1953/01 and 6476/01). Address: Wessex House, 19 Threefield Lane, Southampton SO1 1TW

Notice of Appointment of Joint Administrative Receivers

G.L. ALUMINIUM SYSTEMS LIMITED

Registered number: 2153544. Trading name: Anbri Windows. Nature of business: Suppliers of Aluminium Windows, Curtain Walling. Trade classification: 06. Date of appointment of Joint Administrative Receivers: 20 January 1993. Name of person appointing the Administrative Receivers: National Westminster Bank PLC. Joint Administrative Receivers: Lyn Robert Bailey and John Frederick Powell (Office holder numbers 18 and 249). Coopers & Lybrand, 43 Temple Row, Birmingham B2 5JT

NOTICE OF CREDITORS MEETING

AVON PRINTERS LIMITED

T/A APEX PRINTERS

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at the Three Horseshoes Hotel, 23 Sheep Street, Rugby on 11 February 1993 at 10.30 am for the purpose of receiving a report prepared by the joint administrative receivers, and if thought fit, to establish a committee ("the creditors committee") to exercise the functions conferred on it by or under the Insolvency Act 1986. Proxies to be used at the meeting must be lodged, together with any claim to be made by the Creditor at the offices of the joint administrative receivers, Coopers & Lybrand, Abacus House, 32 Friar Lane, Leicester LE1 5RA, no later than 12 noon on 10 February 1993.

Creditors whose claims are wholly secured are not entitled to attend or to be represented at the meeting.

L Robert Bailey

Joint Administrative Receiver

Dated this 21st day of January 1993

Notice of Appointment of Administrative Receiver

GUNCRETE REPAIR SERVICES LIMITED

Registered number 2323204. Nature of business: Construction. Trade classification: 23. Date of appointment of Administrative Receivers: 15 January 1993. Name of person appointing the Administrative Receiver(s): National Westminster Bank Plc. Joint Administrative Receiver(s): W J H Elles and A Lovett (office holder nos 1953/01 and 6476/01). Address: Wessex House, 19 Threefield Lane, Southampton SO1 1TW

Notice of appointment of Administrative Receiver

LAKESMERE ESTATES LIMITED

Registered number 712591. Former company name(s): Pisalt Limited. Nature of business: Construction and Property Development. Trade classification: 23 and 26. Date of appointment of Administrative Receivers: 15 January 1993. Name of person appointing the Administrative Receiver(s): National Westminster Bank Plc. Joint Administrative Receiver(s): W J H Elles and A Lovett (office holder nos 1953/01 and 6476/01). Address: Wessex House, 19 Threefield Lane, Southampton SO1 1TW

Notice of Appointment of Joint Administrative Receivers

PENSON (NUT & BOLT) LIMITED

Registered number: 00712919. Nature of business: Engineering & Allied Industries. Trade classification: 07. Date of appointment of Joint Administrative Receivers: 19 January 1993. Name of person appointing the Administrative Receivers: Royal Bank of Scotland Plc. Joint Administrative Receivers: John Frederick Powell and David Robert Wilson (Office holder numbers 249 and 292). Coopers & Lybrand, 43 Temple Row, Birmingham B2 5JT

Notice of Appointment of Joint Administrative Receivers

GAINSFORD INVESTMENTS LIMITED

Registered number: 00942378. Nature of business: Engineering & Allied Industries. Trade classification: 07. Date of appointment of Joint Administrative Receivers: 19 January 1993. Name of person appointing the Administrative Receivers: Royal Bank of Scotland Plc. Joint Administrative Receivers: John Frederick Powell and David Robert Wilson (Office holder numbers 249 and 292). Coopers & Lybrand, 43 Temple Row, Birmingham B2 5JT

COMPANY NOTICE

THE ROYAL BANK OF CANADA

U.S. \$350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 28th January, 1993 to 26th February, 1993 has been fixed at 3.25% per annum. On 26th February, 1993 interest of U.S. \$2.527777 per U.S. \$1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 26th February, 1993 will be determined on 24th February, 1993.

Agent Bank and Principal Paying Agent

ROYAL BANK OF CANADA EUROPE LIMITED

INTERNATIONAL FINANCIAL MARKETS TRADING LIMITED

COMPANY NO: [illegible]

Pursuant to Part V, Chapter VII of the Companies Act 1985 (the "Act"), Notice is hereby given that:

(a) the Company has approved a payment out of capital for the purpose of acquiring its own shares by both redemption and purchase;

(b) the permissible capital payment for the shares in question is US\$23,732,000 and the payment out of capital was approved by a Written Resolution of the Company passed on 22nd January, 1993, pursuant to Section 173 of the Act;

(c) the Statutory Declaration of the Directors and the Auditors' Report required by Section 173 of the Act are available for inspection at the Company's registered office at 1 Finsbury Avenue, London EC2M 2PA;

(d) any creditor of the Company may, at any time within the period of five weeks immediately following the date of the Written Resolution for payment out of capital (namely 22nd January, 1993), apply to the Court under Section 176 of the Act for an Order prohibiting the payment.

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NEWS: WORLD TRADE

Brittan optimistic of early Gatt deal

By Frances Williams in Geneva

SIR Leon Brittan, EC commissioner for external economic affairs, said yesterday that an early conclusion to the Uruguay Round of global trade talks was both possible and "vitally necessary".

During a brief visit to Geneva, where he met Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, and other senior trade negotiators, Sir Leon told journalists he wanted to stress to trading partners the Community's "sense of urgency" in concluding the six-year-old talks and his determination that they move "into top gear".

Although the US and EC failed in their attempt earlier this month to conclude a last-minute deal on tariff cuts before the Bush administration left office, Sir Leon said the time was not wasted and the outlines of a deal on market access had become clear.

He believed it was possible to reach an overall Uruguay Round agreement within the US "fast-track" procedure and it was, therefore, "vitally necessary to do so". However, this did not necessarily mean a completed deal by March 2, when President Bill Clinton must notify Congress that he intends to sign a Uruguay Round accord.

The administration's current "fast-track" negotiating authority – enabling it to present Congress with a trade agreement for approval or rejection without amendment – expires at the end of May. The fear is that, if this final deadline is missed, Congress will insist on new items, such as the environment and worker rights, being put on the negotiating agenda.

Sir Leon, who will meet Mr Mickey Kantor, the new US trade representative, for the first time on February 11, said the desire to put new areas on the agenda "should not be a pretext for failing to conclude the Round".

Israeli matchmaker sees Kazakhstan as next frontier

Hugh Carnegy on the plight that draws Shoul Eisenberg

POLITICAL instability, backward infrastructure, extreme remoteness and lack of hard cash are just some of the reasons for not doing business in the central Asian republics of the former Soviet Union. But to Mr Shoul Eisenberg, Israel's – and one of the world's – most secretive businessmen, it is exactly the kind of place he likes to operate.

Late last year, the government of Kazakhstan signed a $160m (£105.2m) deal with the Eisenberg group in Tel Aviv to make and install advanced irrigation equipment in the south of the republic. It was one of a string of projects in which Eisenberg companies are involved in Kazakhstan and the other Moslem republics, spanning everything from agriculture and food production, to oil refining and telecommunications.

From Kazakhstan alone, the group holds letters of intent for contracts worth $2bn.

Such deep commitment in such an uncertain corner of the world looks like commercial recklessness, or at least, supreme optimism. Mr Eisenberg thinks otherwise. For him, central Asia is the new and logical next frontier in a business career which began in Japan in the 1940s and moved through the Far East to China – where for the past decade he has been a ubiquitous, if barely visible, western commercial operator.

In a rare interview in his Tel Aviv headquarters, Mr Eisenberg said that what he is doing in central Asia follows a pattern. "It was the same when we started in Japan – who trusted the Japanese then? When we started in [South] Korea, its total assets were $50m. These are now miracle countries. In China, the Philippines, Taiwan – these were all difficult countries to operate in. But I believe when you help them in those times and later they become healthy, then you have friends who will help you."

Mr Eisenberg's role in all these places has been in essence as a matchmaker between governments anxious to develop their industrial infrastructure and western companies with the technology and ability to help them do it. His principal company, United Development Inc, has since 1978 arranged a string of deals in China from energy plants to a $150m float glass plant in Shanghai involving Britain's Pilkington Glass. UDI now has 12 offices in China and has reaped the benefits of China's recent rapid economic growth.

Now aged 71, Mr Eisenberg has been estimated to have amassed a personal fortune approaching $1.5bn. An impish man, he chuckles at this and declares: "I don't know. Really, I don't know." He also laughs at suggestions in the press that, commercially, he is the most powerful man in China. "It is nonsense. They made a mystery out of me because I don't talk to them."

But he reacts sharply to the accusation that he has prospered simply by inserting himself as a middleman in international dealmaking. "That is not true. I am not a commission agent. We do the business which people cannot do themselves. We create businesses and we invest ourselves. If anyone says I am *Mr Five Per Cent* it is a complete lie."

He holds up his venture into the central Asian republics as an example. In his search for financing – "our biggest headache" – he has turned to European sovereign aid programmes and the EBRD, which require that Eisenberg companies also back projects with their own money. Then there is payment. "We don't get paid in money, we get paid in goods," Mr Eisenberg says.

In two agreements to upgrade Kazakhstan's oil refining, Mr Eisenberg will seek a return from the added efficiency. "Their yield of refined products from crude oil is about 62 to 65 per cent. We can bring it up to 95 per cent. We will get paid from the difference. That is our philosophy. You put in the money first and get it back later. It's not so quick."

Mr Eisenberg also carries a torch for Israel. Although he is an Austrian passport-holder, he has been an Israeli citizen since 1950. The Israeli government then enacted a law – known as the Eisenberg law – granting tax exemptions for his overseas operations, to entice him to base the group's activities in Israel. He has since added to his private empire the Israel Corporation, a public holding company whose companies employ 8,000 people in Israel and turn over $2.5bn a year.

He has built up a symbiotic relationship with successive Israeli governments, to the irritation of many other Israeli businessmen who feel he receives too many favours from the state. Most of the latest Kazakhstan deal, for example, will be guaranteed by the government. Senior officials such as Mr Moshe Arens, the former foreign minister, and Mr David Kimche, former director general of the foreign ministry, have over the years joined his companies.

He says one of the reasons he has almost obsessively avoided personal publicity is the sensitivity of working as an Israeli with regimes such as China which have close ties with the Arab world. But throughout the 1980s, until Israel and China established diplomatic relations early this year, Mr Eisenburg was a conduit through which discreet relations were conducted.

Shoul Eisenberg: 'They made a mystery out of me'

During that time, Israel is reported to have sold significant quantities of arms to China, sometimes eliciting statements of concern from the US.

According to Mr Eisenberg: "If we are asked by the Israeli government to help them, then sometimes we will help them. But I am not a military trader. Only if the government asks for assistance we might make some introductions. But we have never sold one scrap of military equipment."

In central Asia, Mr Eisenberg is again acting as a kind of grand commercial ambassador for Israel, which is anxious to cement relations with Moslem countries on the northern fringe of the Middle East. "You cannot be friends and be enemies at the same time," says Mr Eisenberg.

He admits he cannot be certain whether those links will prove as successful as his previous ventures. In October, he had to pull out of Tajikistan because of the civil war erupting there. "We lost a few million dollars," he says, almost casually, adding: "I am sure one day we will go back."

GEC Alsthom wins India contract

By Ralph Atkins in Bombay

MR John Major, the British prime minister, ended his four-day tour of India last night by announcing that a £140m electricity interconnector contract had been won by GEC Alsthom, the Anglo-French engineering group.

Mr Major said in Bombay that other Anglo-Indian deals were "in the pipeline". He urged the Indian government to continue its economic reforms so further contracts could be agreed.

The prime minister called for the opening up of trade, particularly in consumer goods; for a smaller role for India's public sector; and for the reform of the country's labour laws to encourage job creation "rather than giving an illusion of job security to a privileged few".

The GEC Alsthom contract is the biggest Mr Major has been able to announce after leading a delegation of senior UK businessmen to India. It will be partly funded by £63m of British aid.

Mr Brian Baldock, deputy chairman of Guinness, who travelled with the prime minister, announced that the group's spirits division is to form a joint venture with United Breweries of India to blend and bottle Scotch whisky in the country.

However, the project depends on the Indian government removing a 1947 ban on importing alcohol. There is no sign of its early relaxation.

GEC Alsthom is to supply the Power Grid Corp of India with a high-voltage direct current convertor station to link the western and southern regions of the country's electricity network.

It will use power conversion equipment developed at its Stafford plant.

Mr Major has been disappointed by the slow progress on a deal British Aerospace hopes to agree with the Indian Air Force for the supply of Hawk trainer aircraft. The contract is expected to be worth about $500m (£329m).

China opens up retail sector

CHINA is opening its retail sector to foreign joint ventures in 11 regions, following high domestic consumption in a number of cities, Reuter reports from Beijing.

Foreign businessmen will be able to enter the retail sector in Beijing, Tianjin, Shanghai, Guangzhou, Dalian, Qingdao and the five special economic zones of Hainan, Shenzhen, Zhuhai, Shantou and Xiamen.

Retail sales rose 15 per cent last year to Yn1,080bn (£122bn).

"The state still needs to control the development of retail businesses run solely by foreigners," the official China Daily quoted Mr Hu Ping, minister of commerce, as saying. "But the state... will loosen its controls along with the maturity of the Chinese market as a whole." Details of controls still needed were not given.

The regions are among China's most vibrant. While urban residents in the country as a whole have average per capita monthly cash incomes of Yn176.87, the average in Shenzhen is Yn515.80. In Shanghai the average is Yn267.62.

Officials admit statistics do not reflect the extra income earned from second jobs and other sources. An official from the State Statistics Bureau said that, on average, the extra income effectively doubled an urban worker's salary.

Italian group sells warships

By Haig Simonian in Milan

FINCANTIERI, the Italian state shipbuilding group, has sold two of the warships ordered by Iraq but never delivered because of hostilities in the Gulf, in a $250m (£164.4m) deal with the Moroccan navy.

The two corvettes formed part of a L3,000bn (£1.3bn) 1980 Iraqi order for four corvettes, four frigates and some support vessels. Though the order has been partly paid, the ships completed and Iraqi crews were at one time training in the military port of La Spezia, delivery was initially halted by the Iran-Iraq war and then by the invasion of Kuwait.

The financial burden of the Iraqi order has weighed heavily on Fincantieri, which has reported steady losses as a result of the crisis in shipbuilding and interest charges on spending for the order.

In 1991 it lost L174bn, a substantial proportion of which is believed to have stemmed from costs relating to the Iraqi order.

Mr Enrico Bocchini, the company's chairman, declined to speculate on reports that the four remaining frigates would be sold to the Italian navy.

Indonesian group selects Ulster site for £95m textile plant

By Jimmy Burns and Our Belfast Correspondent

A LEADING *Far Eastern* textile group announced yesterday it was investing in a £95m project in Northern Ireland, with the aim of boosting its presence in Europe.

Texmaco-Polysindo, the Indonesian manufacture of polyester filament yarn and garments, is locating production facilities at a site in Antrim formerly owned by Azco, the Dutch chemical company where it hopes to create 900 jobs over the next three years.

The Antrim site, near Belfast airport, is to have two factories. The first, Norfol, will make yarn from polyester chips and has an annual production target of 20,000 tonnes expected to be reached by the end of 1994. The second, Pan European Textiles, will focus on weaving and processing fabrics from the yarn with a production target of 5,000 tonnes within the next two years.

The UK government, through the Northern Ireland Industrial Development Board, is to contribute £14.6m in the form of training and capital equipment grants and in facilitating a low interest loan.

Industry analysts say Texmaco has been seeking a European site in anticipation of the EC raising tariffs and introducing anti-dumping measures against the third world. It chose Northern Ireland after looking at potential sites on the UK mainland – Leeds and Bradford – Spain, and France.

The plants will provide Texmaco with a quick response access to the European market at a time when fashion cycles are becoming shorter.

Texmaco's group turnover in 1991-92 was $350m, of which $110m was represented by exports. It has four plants in Indonesia employing 17,500 *people and has been exporting* to the Middle East, Africa, the US and Europe from a marketing base in Hong Kong.

Europe represents 15 per cent of total fabric and yarn exports.

Northern Ireland officials yesterday heralded Texmaco's announcement as a boost to confidence following a year during which the government's record for attracting overseas investment has come under public criticism.

Dr Graham Gudgin, head of the Northern Ireland Research Centre (NIERC) said last night that on past experience of overseas investment it was possible that "not all the promised 900 jobs will be created. It is not going to make a huge impact on unemployment which is at 14 per cent".

A report published at the end of last year by the government quango, the Northern Ireland Economic Council, said that employment in externally-owned plants in the region fell by 46,000 between 1973-90, with big closures in the artificial fibre sector.

Vickers wins £200m Challenger tank order from Oman

By David White, Defence Correspondent

VICKERS, the British engineering group, has won its first export order for the new Challenger 2 battle tank with a contract from Oman expected to be worth about £200m.

An initial deal for about 20 tanks is expected to be announced today and to be followed by a further order *for a similar number*. Vickers made no comment yesterday.

The deal will mark a breakthrough for the UK company after a series of setbacks on the export market. However, it will not be enough to bring more than temporary relief to its tank manufacturing division.

One of its two north of England tank plants in Leeds and Newcastle upon Tyne faces closure unless the company secures *a larger export* order or work from the British Ministry of Defence on upgrading the army's current-generation Challenger 1 tanks.

Each plant employs about 800 people. In the absence of any new order *a closure decision* had been expected by the end of this year.

Vickers won a £500m contract from the MoD in 1991 to supply about 140 Challenger 2s, after a long and bitter contest against rival US and German tanks. The UK order, sharply reduced from earlier plans, was decided partly on the strength of the export prospects.

The company suffered a heavy *blow last October when* Kuwait opted for the M1A2 Abrams, made by General Dynamics of the US, in preference to the Challenger 2 for a 236-tank deal worth about £1bn including spares and support. Vickers accused the Bush administration of using political leverage to secure the order in the run-up to the US presidential election.

Earlier last year, it was excluded from another £1bn contest in Sweden against the M1A2, Germany's Krauss-Maffei Leopard 2 and the new French Leclerc tank. Vickers had been unable to obtain a Challenger 2 prototype from the British army for trials in Sweden without breaking its UK government contract.

Oman, which already has British Chieftain tanks, was considered the most reliable of the UK manufacturer's overseas prospects. The new tanks are expected to enter service around 1995.

Vickers *is also competing* for orders in the United Arab Emirates and Saudi Arabia involving a total of more than 600 tanks. However, in the UAE contest, expected to be for 390 tanks, the Challenger 2 is considered to be running in third place behind the Leclerc and the M1A2.

The German government, which has barred German sank sales to the Middle East, is believed to approved *a plan to fit the French tank with a* diesel engine made by the Daimler-Benz offshoot MTU, in order to secure the UAE order.

The means Vickers is now heavily dependent on the Saudis, who are already buying M1A2s from the US but are discussing *a further order* for 235 tanks.

● Devonport dockyard, currently competing for a lucrative UK order to refit Trident submarines, has been selected to build specialist trailers to help Russia dismantle its nuclear arsenal.

The trailers will be used to carry the unwanted nuclear warheads from operational sites to a central point where they can be safely dismantled.

The project is the result of a British government initiative to provide the Russian authorities with specialist vehicles to transport the warheads.

The government is expected to announce next week whether Trident nuclear submarine refitting work will be placed at Devonport, south west England or Rosyth in Fife, Scotland.

Recession dominates biography of a nation

By Alan Pike, Social Affairs Correspondent

THE footprints of the recession are to be found in almost every area of a typical family's life, according to the image of Britain in the latest edition of Social Trends.

In recent years Social Trends – described by its publisher, the Central Statistical Office, as the "biography of the nation" – has presented a picture of unstoppable consumerism fuelled by credit. This year's biography is of a different nation, where rising unemployment, redundancy and home repossessions are the priorities.

Real household disposable income – the money people have to spend, save or invest – fell for the first time in a decade between 1990 and 1991, following a 71 per cent real-terms rise since 1971.

Household spending went down as well, for the first time in 15 years. There was a 2 per cent overall drop between 1990 and 1991 with spending on motor vehicles – down 18 per cent – suffering the biggest fall.

People spent less on alcohol and tobacco, less on household durables, less on books and newspapers. The only categories where expenditure increased were television and videos and fuel and power.

Share-ownership – one of the growth areas and symbols of the 1980s – accompanied household spending into decline.

By 1990 about a quarter of the adult population owned shares. This fell last year to 22 per cent, although it remains far ahead of 1981's 7 per cent.

The changed economic conditions have led to the disappearance of another late-1980s phenomenon. From 1987 to 1989, saving as a percentage of household disposable income was negative, meaning that overall the nation's families were spending more than they earned. Savings are now positive again, and amounted to 2.5 per cent of disposable income in 1991.

Consumer credit has started to fall slightly, although the amount outstanding excluding home mortgages – £53bn – still nearly doubled in real terms between 1981 and 1991.

"After violent crime and long-term illness, one of the greatest fears haunting society is probably that of redundancy," says Social Trends. Figures up to spring of last year show that the risk of redundancy was highest in the East Midlands, lowest in Scotland.

Unemployment is particularly severe among the young – last year nearly one in five young men and one in seven women under 19 were unemployed – and is far higher for ethnic minorities than the white population.

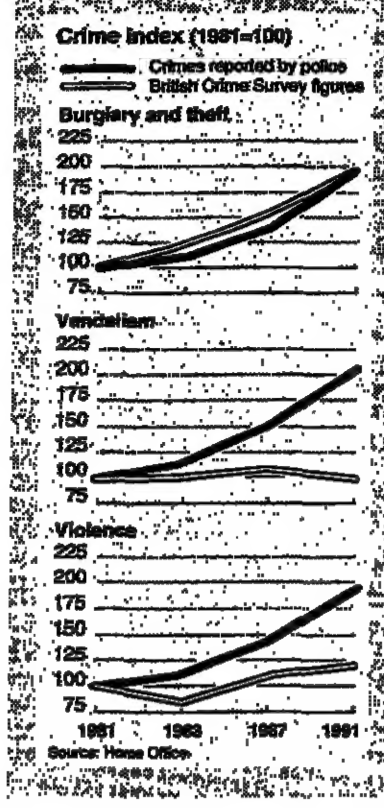
The problem is worst among the Pakistani and Bangladeshi group, where a quarter of people in economically active age-groups are without jobs.

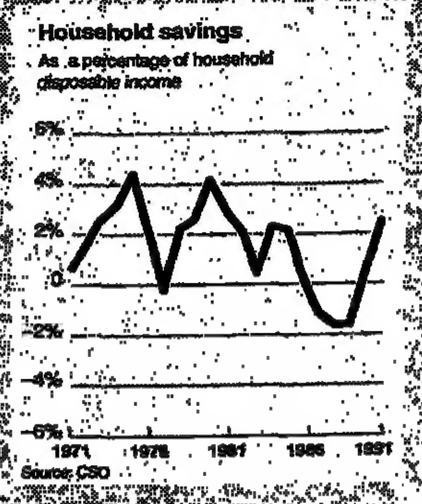
Social Trends catalogues an array of factors like house repossessions, mortgage arrears, rising social *security claims* and declining housebuilding figures that have a direct link with the recession.

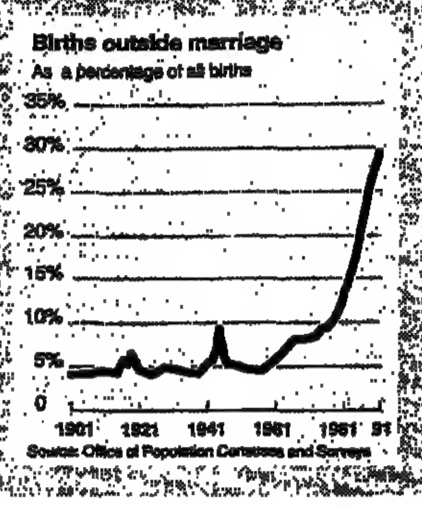
One of the most serious areas for this debate concerns the crime figures, where there is heated disagreement about the possible connection between deprivation and offending. Reports of offences *like burglary, robbery* and theft, which it is sometimes argued can have a link with the recession, all increased between 1990 and 1991.

Social Trends 23, HMSO, £26

A SNAPSHOT OF BRITAIN







Household expenditure

By region 1990-91 (Percentage of expenditure)

	Housing	Food	Leisure goods & services
United Kingdom	18.7	18.0	13.3
North	17.2	19.6	11.6
Yorks & Humb	17.8	18.8	12.8
East Midlands	18.6	17.7	13.1
East Anglia	20.2	18.7	12.9
South East	20.0	17.2	14.3
South West	19.4	17.0	13.8
West Midlands	20.0	18.3	11.1
North West	17.9	17.6	13.5
England	19.3	17.9	13.0
Wales	16.3	18.9	12.9
Scotland	15.4	19.4	13.0
Northern Ireland	15.3	20.8	11.0

Source: CSO

Distribution of wealth

Percentage marketable wealth owned by:

	1976	1981	1986	1990
Most wealthy 1%	21	18	18	18
Most wealthy 5%	38	36	36	37
Most wealthy 10%	50	50	50	51
Most wealthy 25%	71	73	73	72
Most wealthy 50%	92	92	90	93
Total marketable wealth (£bn)	280	565	955	1,689

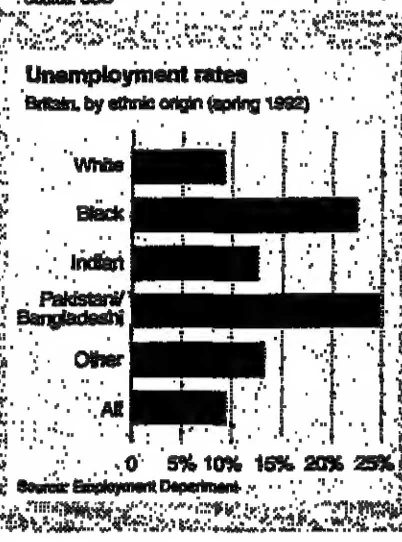
Source: Inland Revenue

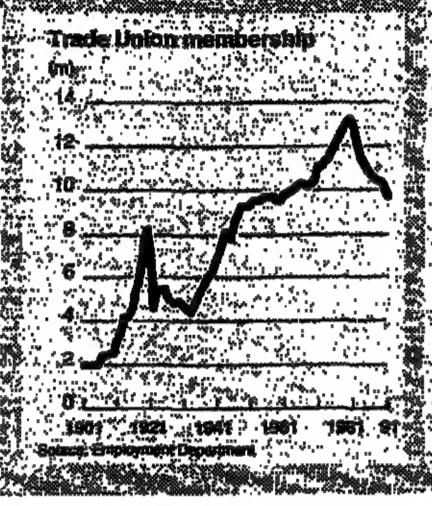
Church membership

Adults (m)

	1975	1990
Trinitarian churches		
Anglican	2.27	1.84
Presbyterian	1.65	1.29
Methodist	0.61	0.48
Baptist	0.27	0.24
Other Protestant	0.53	0.70
Roman Catholic	2.53	1.95
Orthodox	0.20	0.27
Total	8.06	6.77
Non-Trinitarian		
Mormon	0.10	0.15
Jehovah's Witness	0.08	0.12
Spiritualist	0.06	0.06
Other non-Trinitarian	0.09	0.13
Total	0.33	0.46
Other religions		
Muslim	0.40	0.99
Sikh	0.12	0.39
Hindu	0.10	0.14
Jewish	0.11	0.11
Others	0.08	0.23
Total	0.81	1.86

Source: UK Christian handbook, MARC Europe





'Routine' boiler shutdown led to Braer disaster

By James Buxton

A BOILER shutdown on the *tanker Braer for* "routine adjustment" led to the ship breaking down and going aground in the Shetland islands earlier this month.

In his first detailed statement on the disaster, Mr Michael Hudner, chief executive of B + H *Ship Management*, the US operators of the Liberian-registered vessel, defended the competence of the tanker's Greek captain and his crew.

He also defended the choice *of route taking the Braer* through the channel between Shetland and Fair Isle on its way from Norway to Canada.

Mr Hudner said the boiler, shut down before midnight on January 4, more than 12 hours before the stranding at 11.20am on *January 5, could not be re-*ignited and therefore ceased to warm the heavy fuel oil used in the main engine. This made a switch to diesel oil necessary just after midnight.

The diesel required to fuel the boiler and power the ship's generators was contaminated with seawater. This apparently entered through the tank's air vents, which may have been damaged by steel pipes on board, Mr Hudner said.

After efforts to re-ignite the boiler failed, the master decided to seek shelter and at 4.36am the Braer, 10 miles south of Sumburgh Head, changed course for the Moray Firth. *But the ship lost propul*sion and the generators failed.

He said the Braer contacted the coastguard at about 5am but did not request the assistance of a tug, the master calculating that it would slowly drift clear of land. Coastguards *located the tug Star Sirius* at Lerwick in Shetland at 6.04am, however, and the tug left harbour at 7.10am.

In the meantime the captain was advised by the RAF and *the coastguards to allow the* evacuation of the crew by helicopter because the ship was in danger of going aground and causing an explosion. An attempt at 10.30am to save the ship – with five men landed from a helicopter – failed. The *Braer, laden with 85,000 tonnes* of crude, went aground at Garth's Ness at 11.20am.

JCB committed to putting the skids under its rivals

IN an industry which loves gossiping about rivals' product plans, it was an open secret that J C Bamford Excavators (JCB), the largest UK-owned earthmoving equipment maker, was to announce a new product. Only the timing was in doubt.

The company whose initials are a generic name for the backhoe loader – the big yellow machines with a loader bucket at the front and a small excavator (backhoe) in the rear – this week made its long-awaited entry into the fast-growing European market for skid-steer loaders.

JCB's skid-steer loader: the Staffordshire-based company has spent three years and £4m developing its Robot machine

The launch of the JCB Robot is an important step for Staffordshire, central England-based JCB, one of the UK's most successful privately-held engineering groups.

It is also a rare piece of bright news in an industry which has yet to see any hard evidence of the recession lifting in the UK and may face worsening conditions on the continent. JCB said recently it was producing construction equipment at about one-third of the rate of four years ago, when the UK market was booming.

Skid-steer loaders are compact machines which can be used for anything from light civil engineering work to clear*ing out chicken coops*. Their versatility, along with the trend towards use of smaller machines such as mini-excavators in jobs where picks and shovels would have been used until recently, makes them relatively recession-proof.

In Europe, sales have surged from 3,600 units in 1985 to about 10,000 in 1992 and could rise to between 12,000 and 14,000 in the next five years, according to Mr David Phillips of the London-based Corporate Intelligence Group.

JCB is known to have been considering entering the skid-steer market for a decade. Launching a volume product in a relatively fast-growing sector, says Mr Phillips, is a more realistic way for JCB to build sales than to attempt a 5 percentage point increase in backhoe loaders, where it is European market leader. JCB has spent three years and £4m developing the Robot, which will enter a market dominated by the Melroe Bobcat, produced by Clark Equipment of the US.

Mr John Bradley, JCB marketing director, says the company aims to become second biggest player in the European *skid steer market within about* three years, giving it about 10 per cent of the market. That could involve taking share from Melroe, which has about 50 per cent of the market, and smaller players such as Gehl of Germany and FAI of Italy. The entry of another internationally known company may expand the market, says Mr Phillips.

Andrew Baxter

Japanese companies back ERM

By Tony Jackson

JAPANESE companies want the UK to re-enter the European exchange rate mechanism, a Japanese official told MPs in London yesterday.

Mr Tamon Kitabatake, commercial minister at the Japanese Embassy in London, said: "Many Japanese business leaders point out that sterling needs to be stable if they are to have the confidence to continue investment in Britain. Some adjustment would appear to be necessary in relation to the ERM."

Mr Kitabatake told the all-party British Japanese Parliamentary Group that business leaders in Japan paid close attention to the details of UK relations with the rest of the EC. "The development of Europe is frequently discussed in Japanese board meetings," he said.

Japanese inward investment in the UK peaked in 1990, and since then has halved. Mr Kitabatake said this resulted from the bursting of the Japanese economic bubble and the fact *much of the investment was in* preparation for the European single market.

Around 40 per cent of Japan's total manufacturing investment in the EC is in the UK.

Mr Haydn Abbott, managing director of Sony UK, told MPs it was important that the UK should not be politically or economically marginalised in Europe. A stable exchange rate was very important, he said.

Office worker wins £15,000

Compensation paid over alleged effect of passive smoking

By Diane Summers, Labour Staff

A LOCAL government employee has won £15,000 compensation for the alleged effects of passive smoking at work, in what is believed to be the first such case in the UK.

As an out of court settlement, the case does not set a legal precedent, but Action on Smoking and Health, the anti-smoking campaign, said there would be a flood of similar claims.

Nalgo, the white-collar local government union, which backed the worker's case, said the award should be "a warning shot across the bows to all employers who ignore the risks of smoking to non-smokers".

Dr Brian Mawhinney, health minister, yesterday reiterated a warning that the government would consider legislation to outlaw smoking in public places and at work if voluntary bans did not succeed.

The government's aim is for 80 per cent of public places to be smoke-free by 1994, with smoking banned for most employees by the year after.

Ms Veronica Bland, a 36-year-old non-smoker, who still works for Stockport Metropolitan Borough Council in north-west England, claims that she suffered for some years from the effects of her colleagues' cigarettes. Between July 1988 and September 1989 she says she worked close to seven employees who smoked continually. She estimates that she was exposed to and inhaled smoke from at least 150 cigarettes each working day.

Ms Bland developed chronic bronchitis and alleges that, until the council introduced a no-smoking policy in 1990, she suffered from persistent coughs, sore throats and catarrh, and irritation of the eyes. She also says her singing voice – she is a member of choir – has deteriorated.

Stockport said the settlement of Ms Bland's claim by the council's insurers was made without any admission of liability. It said the council was one of the first local authorities in the country to implement a scheme which establishes employees' right to work in smoke-free offices.

The Association of British Insurers said the settlement was "in no way a precedent". There was nothing legally or morally binding about it and there would be "no softening of the position of the insurance industry in fighting this sort of case". Stockport's insurers had *decided it was less costly to* settle with Ms Bland than pursue the case in court, said the ABI. The industry was still waiting for a suitable case to allow the issue to be fully tested.

Britain in brief

Confidence returning, says Major

On his visit to India, Mr John Major, Britain's prime minister, said the UK was set for a "decisive move" towards economic growth. Speaking to UK businessmen in Bombay, he said confidence, "is beginning to return to house-buyers, consumers and investors".

Inflation was at its lowest for six and a half years, interest rates at their lowest for 15 years and the sterling exchange rate was "highly competitive".

His upbeat comments were coupled with a promise that, "the government will be working closely with industry, especially manufacturing companies, to maximise investment in modern equipment and increase exports".

Fewer homes repossessed

The number of homes *repossessed* by UK lenders because of unpaid mortgages fell last year from the 1991 record level, but there was a sharp rise in the number of households six months or more in arrears with payments, according to *the Council of Mortgage Lenders*.

Repossessions totalled 68,540 last year, a fall of 9 per cent on 1991 when 75,540 properties were repossessed. But more than 350,000 households were in serious mortgage arrears at the end of last year, 28 per cent up on the 1991 total of 275,350.

Police probe property deals

West Midlands police will soon charge with fraud at least 10 and possibly 12 businessmen – including company executives, solicitors and property valuers – who allegedly set up a series of illegal commercial property transactions in Birmingham and the Black Country.

Deals valued at about £50m have come to light during a nine-month inquiry by the *West Midlands commercial* fraud squad, helped by the fraud investigation group of the Crown Prosecution Service.

Deal likely on airport link

Sir Bob Reid, British Rail's chairman, said BR and BAA, the airports operator, were "within days of a solution" to the deadlock over plans for the £300m Heathrow Express.

The project, intended to speed passengers between Heathrow airport and central London's Paddington station in 16 minutes, is being developed jointly by BAA and BR. The plan is *for BR to carry the* train on its existing tracks for three-quarters of the 16-mile journey. A private sector consortium led by BAA would build and operate the spur needed to take the trains off the main line to Heathrow airport.

Train makers under threat

Lord Prior, the former Conservative cabinet minister who chairs the General Electric Company, has warned that the government's rail privatisation plans could destroy Britain's train-making industry over the next three years.

His warning came as the government attempted to alleviate the industry's concerns by explaining how it envisaged train-making would survive under the privatised regime. "Unless some orders come in reasonably quickly *there will* be no rolling stock industry left in three years' time," Lord Prior said.

Motorola plans bigger plant

Motorola, the US electronics company, is seeking planning permission to more than double the size of its plant making cellular telephones at Easter Inch near West Lothian in Scotland.

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INFORMATION TECHNOLOGY IT-WORLD NEWS

SPECIAL EDITION EUROPE '93

SINIX® is the UNIX® operating system from Siemens Nixdorf. UNIX® is a registered trademark of UNIX System Laboratories Inc.

Munich: Trade, banks, industry and services head into the United Europe with the largest European computer company.

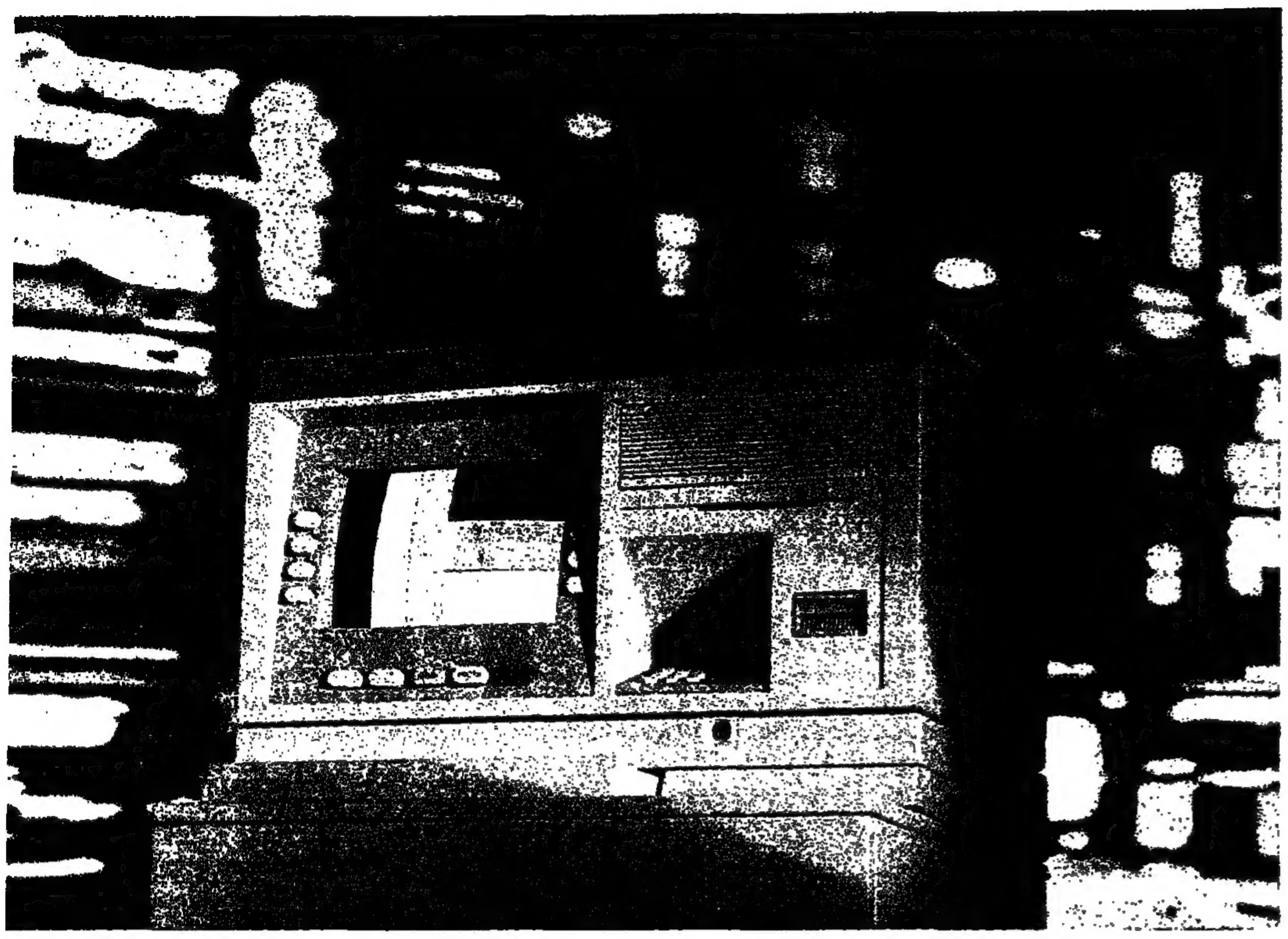
There's no going back now: the starting signal has sounded for the biggest single market in history. Now the race for the combined European markets can officially begin. It's a competition with no easy recipe for success. The IT-WORLD NEWS Special Edition Europe '93 confirms this: the domestic market strategies of businesses couldn't be more varied - whether in trade, finance, services or industry. But they do all have one thing in common, whatever the sector. Their response to market integration is an integrated organisational structure. One which is unified, economically efficient, and European. For this, they put their trust in the expertise and capability of the leading European computer company, Siemens Nixdorf, which has Europe's biggest market share in banking and cash register systems, the best results in UNIX® multi-user systems in Europe, and the practical experience from hundreds of thousands of computer installations all over the world. Add to this the indispensable requirement for seamless information flow in a Europe without frontiers - the integration expertise and open systems of Siemens Nixdorf. Essential for the connection of computers of all sizes, types and manufacturers, and for high-performance networks throughout Europe, based on innovative telecommunications and information technology.

Amsterdam: Largest Dutch retail chain macro-powered by micro Beetles.

Now that the European markets are opening up, Holland's largest retail chain, Makro, is entering the world of open systems. And it's staying with the computer company which has served it best: Siemens Nixdorf. In 1993, the Micro BEETLE® POS terminal will bring macro power to Makro's international operations - first in Spain and then gradually in other European stores. Siemens Nixdorf will install new open BEETLE POS systems in individual Makro supermarkets, and network them into PCD and MX300 back-office processors running under SINIX®. These communicate with SINIX Targon 35 central processors in the national centers. Interacting with the processors, the BEETLES will become the heart of Makro's goods flow: for example, they will gather information on stock movement, sorted according to time and items, and will provide information to direct the range of products in-store. They will create the conditions for just-in-time ordering and delivery; and they will record every tiny detail of an item sold - quantity, colour, size or material – so that Makro can react immediately to every change in trends. Information captured by the BEETLES at the point of sale will be analysed and evaluated by the networked back office processors. In this way, the BEETLES will dramatically improve Makro's information management, from purchasing to monitoring marketing performance. Right across Europe.

Barcelona: Siemens Nixdorf's "European Urban Observatory" links Europe's major cities.

Shortage of housing, increasing traffic volumes and environmental problems - the mayors of several major cities in Europe have now taken up arms against these problems, in co-operation with the European Community. And they have called on Europe's largest computer company for the expertise required. Siemens Nixdorf Spain was contracted to develop an up-to-date planning and observation system under the "European Urban Observatory" (EUO) project. They call the result "Desk Communitary", a system which connects the cities of Amsterdam, Athens, Barcelona, Berlin, Birmingham, Brussels, Genoa, Lille, Lisbon and Milan, into a European network for the ongoing exchange of information and strategic urban planning. The pilot phase of the project starts in January 1993. At the starting line will be UNIX-based MX300 and PCD-4T computers, to provide international data transfer via electronic mail, joined by the ComfoWare software family for office automation and other special EUO applications program. The environmental and social policy considerations, in housing construction, through to the extension of public transport networks: in one sense the Ptas 65 million project is already a success. It is leading towards the goal of progressive urban planning and an improvement in living standards for Europe's citizen.

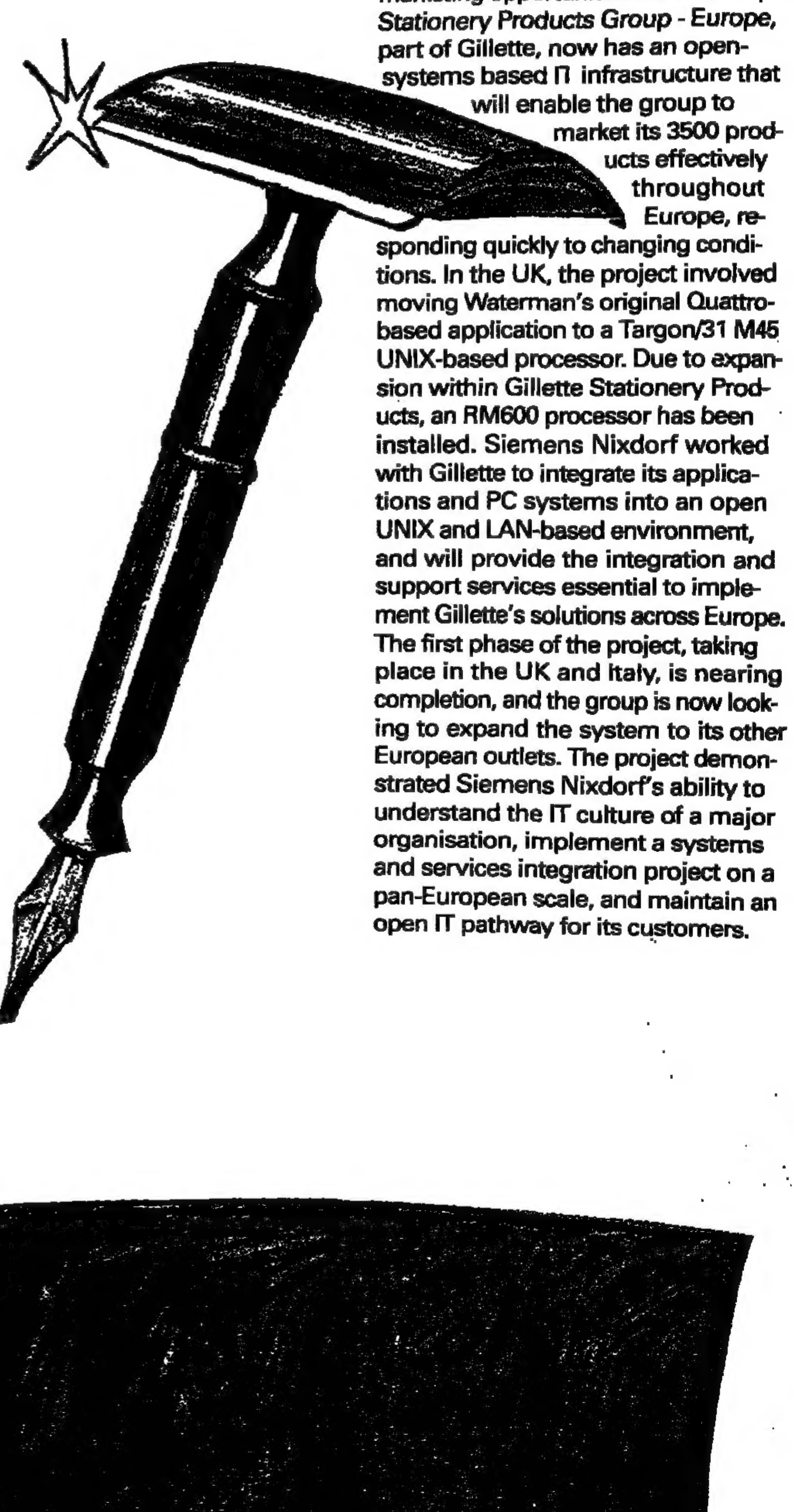


Brussels/Bonn: Siemens Nixdorf connects Germany and Belgium to the European postal banking network.

Together we are strong – this is the motto of the European postal banks, which are relying on "Postnet" for their operations in the new Europe without frontiers. This is an international data network which organises the electronic money service Europe-wide, initiated by the "Conférence Européenne des Postes et Télécommunications" (CEPT). Postnet already gives 2 million cardholders access to the 1600 automatic teller machines currently linked up in the member countries. Postnet is based on a systems integration structure of enormous complexity, since the various post banks operate with different manufacturers' systems. Compliance with international standards and the use of a UNIX computer to "interpret" between the systems ensures a smooth flow of data in the network. After France, Luxembourg, Spain and Switzerland, the Belgian postal service joined the service network, working with Siemens Nixdorf. Siemens Nixdorf has a proven record of expertise in the area of systems integration, having already connected the automatic teller machines of a different manufacturer with BS2000. Verification testing is carried out with the SBS-VAR software package. And now the successful connection of Belgium into Postnet has convinced the Bundespost in Germany, also a user of SBS-VAR, to follow suit. The integration operation, scheduled for completion this year, is to be carried out by Siemens Nixdorf. Five million customers will then have access to more than 2000 automatic teller machines in the European cash service.

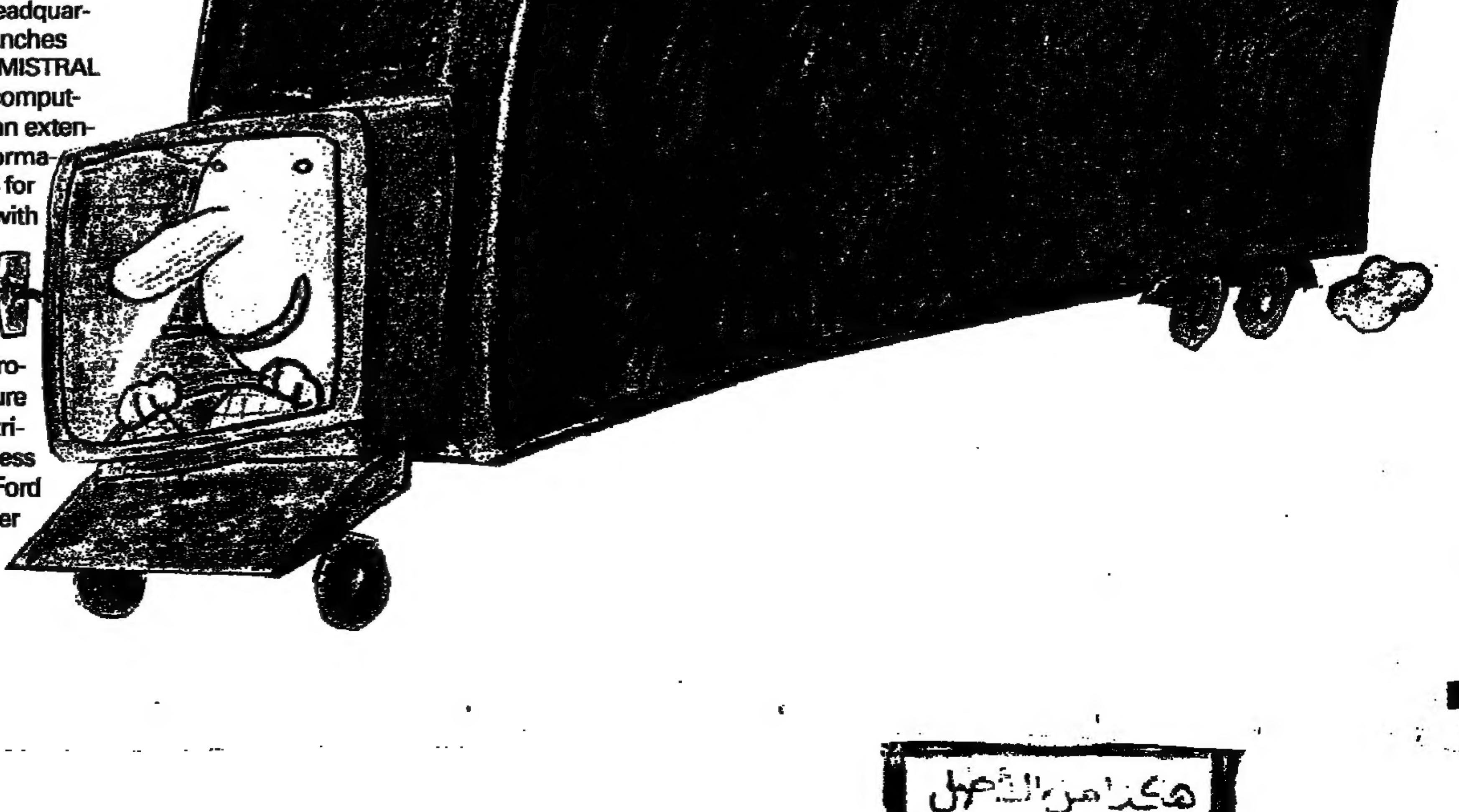
Isleworth: Gillette migrates for sharper marketing.

Success in the European community is impossible without a European market strategy. Gillette's strategy is simple - expansion, as it can be seen in its recent mergers with Watermans, Papermate and Liquid Paper Products. To give its organisation structure the required leading edge, the giant multinational Gillette organisation chose Siemens Nixdorf to supply advanced technology geared to exploit new marketing opportunities across Europe. Stationery Products Group - Europe, part of Gillette, now has an open-systems based IT infrastructure that will enable the group to market its 3500 products effectively throughout Europe, responding quickly to changing conditions. In the UK, the project involved moving Waterman's original Quattro-based application to a Targon/31 M45 UNIX-based processor. Due to expansion within Gillette Stationery Products, an RM600 processor has been installed. Siemens Nixdorf worked with Gillette to integrate its applications and PC systems into an open UNIX and LAN-based environment, and will provide the integration and support services essential to implement Gillette's solutions across Europe. The first phase of the project, taking place in the UK and Italy, is nearing completion, and the group is now looking to expand the system to its other European outlets. The project demonstrated Siemens Nixdorf's ability to understand the IT culture of a major organisation, implement a systems and services integration project on a pan-European scale, and maintain an open IT pathway for its customers.



Munich: EURO MISTRAL spearheads international Häring freight forwarding in the new Europe.

For freight forwarders, the single market in Europe means the final disappearance of the existing tariff structure, and with it the secure basis for their calculations. No more fixed prices - market forces will now decide who will keep up with the competition and who will fall behind. This is reflected in the Häring freight forwarding company's slogan for the race for European markets: "In good shape for the future". Häring is heading into the new Europe with EURO MISTRAL from Siemens Nixdorf. This is a high-performance, multilingual software solution that provides an overview and calculation basis for the transport industry, Europe-wide. In conjunction with OCIS, the integrated office automation solution, EURO MISTRAL supports the Häring management with a comprehensive review and monitoring system, a work-in-progress overview facility, accurate quality control, and, last but not least, the use of all available data to build up an efficient pan-European sales system. The software, which is compatible with open systems and client/server architectures, also connects the Bavarian headquarters with Häring's eight branches throughout Germany. EURO MISTRAL has been installed on SINIX computers which are connected in an extensive network to exchange information company-wide. The need for trouble-free communication with customers and partner freight companies is also solved. Special interfaces such as EDIFACT allow data transfer with external systems. The progressive organisational structure adopted by Häring has contributed to the company's success as a two-time winner of the Ford Motor Group's Excellent Carrier Award".



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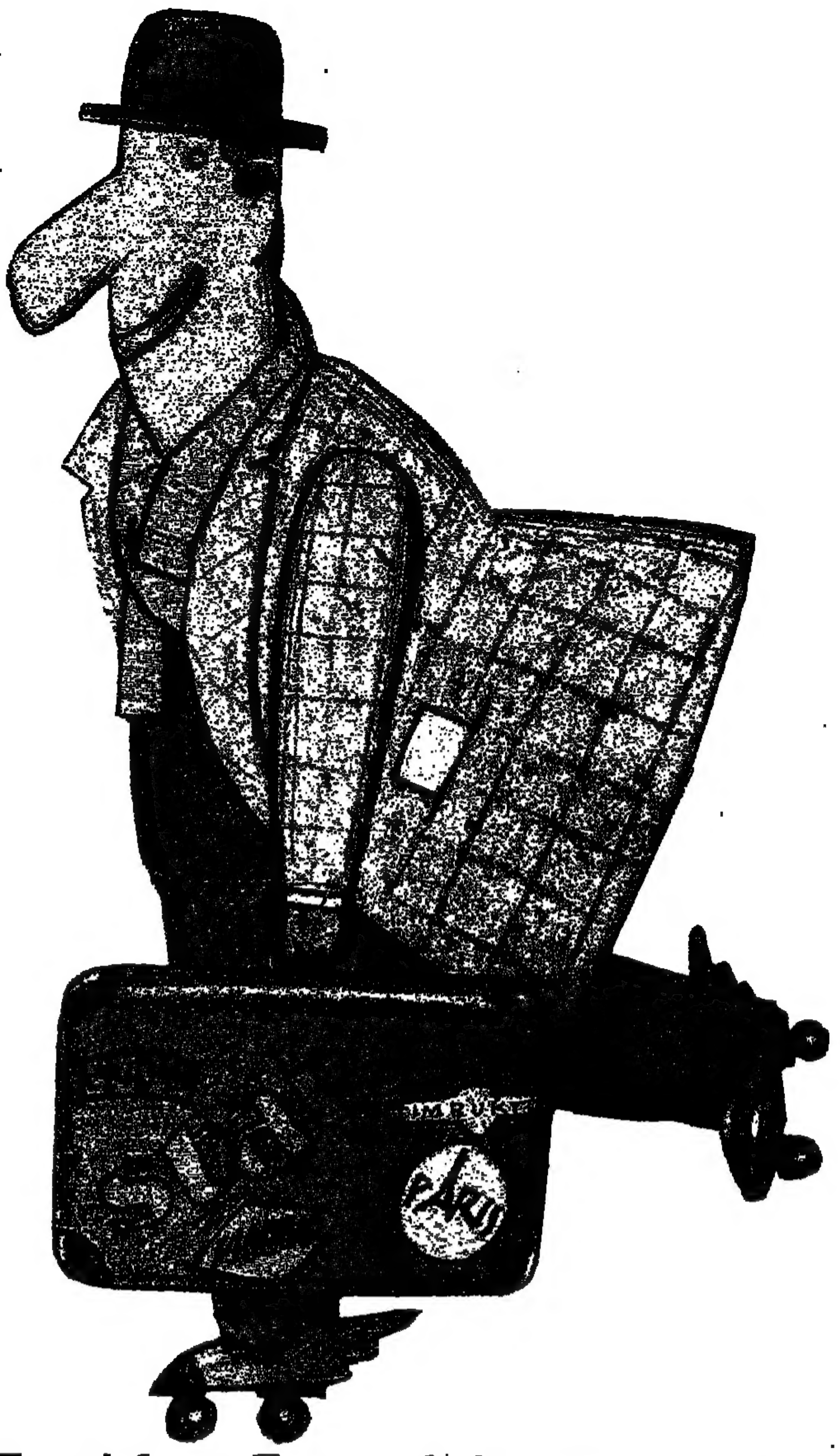
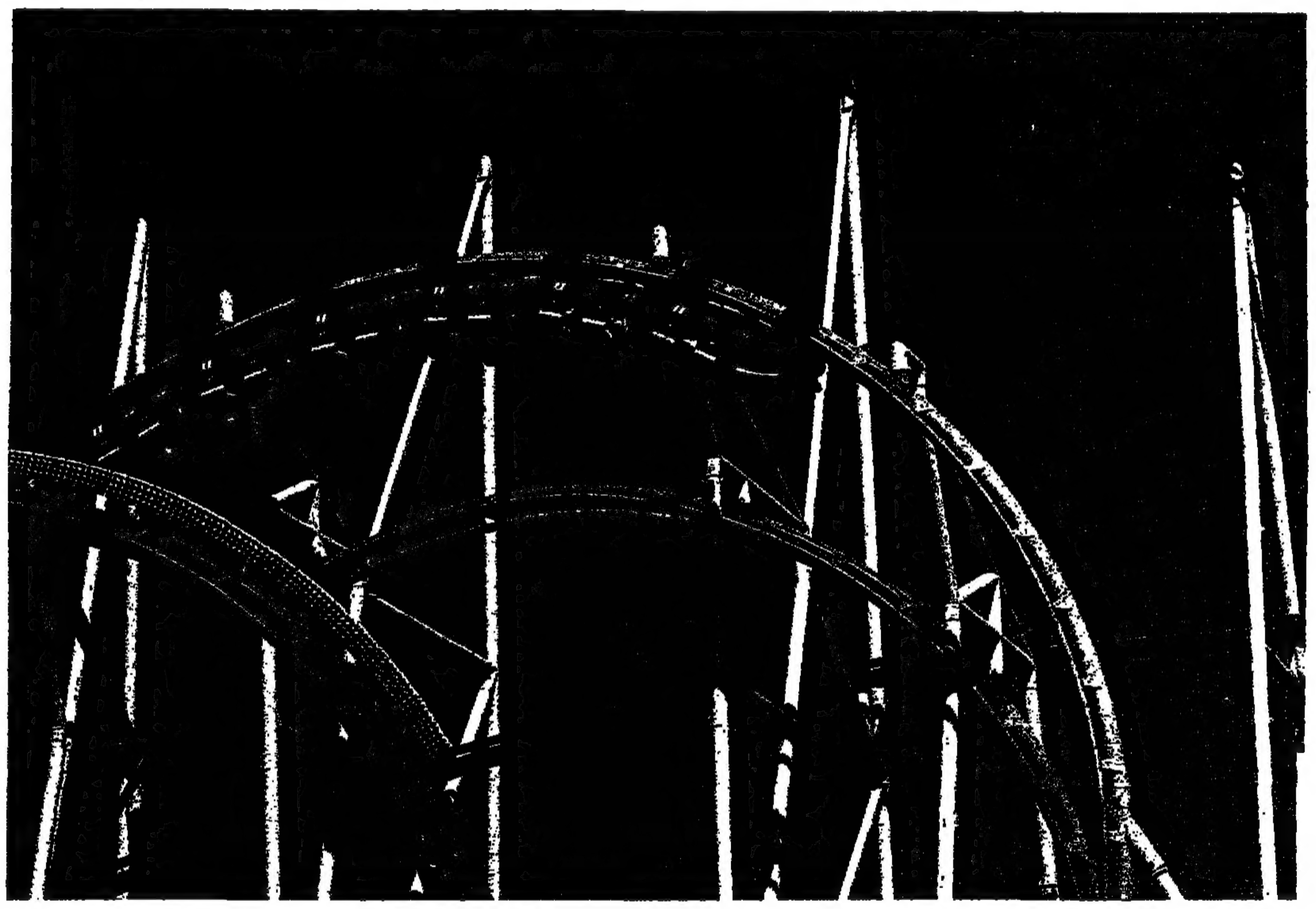


Karlsruhe: SEW-EURODRIVE and Siemens Nixdorf power, driving everything from roller-coasters to centrifuges.

With sales of over one billion DM, SEW-EURODRIVE is a leading international manufacturer of modern electrical drive systems and a world market leader for geared motors. Its consistent growth internationally is based on a highly flexible organisational structure worldwide. Six central manufacturing plants are backed up by 34 assembly plants, with extensive storage facilities to ensure the assembly of systems on the spot, exactly according to customer specifications – items such as geared motors or brake engines, servo systems or frequency converters, for everything from roller-coasters to centrifuges. For some years now, SEW has been using Siemens Nixdorf's COMET® system to organise the continuous flow of information between the manufacturing and assembly sectors. In the assembly plants in Australia, Austria, Denmark, Finland, Portugal, Singapore, Sweden and Switzerland, COMET integrates all areas of activity, from financial accounting and inventory updating through to assembly and job management. A standardised data structure transcending language and currency differences, combined with flexibility and extendability: these are the key features of COMET which are used to good effect by SEW and its international network. Another advantage is that SEW's existing software solutions are able to give the organisation a smooth transition into the open systems environment. In Karlsruhe and Austria, COMET applications have already been converted to run on SINIX computers – so successfully that SEW has decided to continue to use Europe's largest software library, with further COMET installations planned, for example, in Norway and South Africa.



Frankfurt: Europe's largest travel sales system has booked Siemens Nixdorf for years.

"A flight to London, window-seat, non-smoking please". The customer in the travel agency wants a quick answer, and is not disappointed. "One moment, please". The assistant keys the information into the computer and replies within seconds: "Flight the day after tomorrow, 4.50 p.m., from Maastricht. Fare saving of 70 DM over Cologne". Behind this prompt service, so convenient for the customer, lies some of the latest computer technology: START AMADEUS, Europe's largest travel sales system, is a joint venture between German Railways, Lufthansa and TUI. In Germany alone, the START system integrates 21,300 terminals from a huge range of manufacturers in more than 10,500 travel officies. All of these have access to four H120 mainframe computers in the central computing center, with a total capacity of 240 MIPS (million instructions per second). This is where all the information on air, rail and sea travel, in Europe, is processed: departure and arrival times, fares, concessions. Even concert and theater tickets can be reserved with START - whether the customer wants to see "Cats" in Hamburg or visit the Louvre in Paris. At peak times, over 180 transactions per second can be processed. Siemens Nixdorf is currently replacing the former TRANSDATA network with an open network using X.25 interface technology which will make it possible to integrate the latest telecom services such as ISDN. This is about to give START the added power of an up-to-the-minute telematics network solution, now seen as indispensable in European tourism. This will enable travel agencies to develop new special offers tailored to market needs at any time, and will give the airlines and railway companies participating in START the ability to achieve optimal organisation of their sales. And customers now enjoy benefit of personalised advice and best possible alternatives, when making their travel plans.

Brussels: The last word on fresh food, with Delhaize and TRANSDATA.

Delhaize, the Belgian supermarket chain, realized sooner than others that to compete for a share of the market means competing for satisfied customers. As early as 1979, this retail company went shopping at Siemens Nixdorf - and in so doing made use of the possibilities of an expandable goods flow system long before others. Today, Delhaize works with a highly efficient TRANSDATA® network. H90 and 7.570-CX BS2000 hosts in the Brussels headquarters are in con tinuous communication with SINIX-based MX300 back-office systems, 8862 POS servers and POS-2000/10 terminals in the supermarkets. The network ensures that all Delhaize products are fresh and up-to-date, with perfect just-in-time dispatch, and stock control that matches customer demand. Goods ordered from suppliers by remote data transfer arrive on the shelves in time - speedily, and above all, reliably: in an emergency, a back-up system in Siemens Nixdorf's Belgian headquarters takes over the task of organisation in all Delhaize branches. This stores system, now running successfully in Belgium, will be applied across Europe. At new Delhaize subsidiaries in the Czech Republic and Greece, Siemens Nixdorf technology is the universal yardstick. The first big orders for 2000/10 POS terminals and PC technology have already been placed. And the first step has been taken towards Europe-wide networking of all Delhaize stores.

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COMPANY SNAPSHOT
The Carleton Furniture Group was founded in the 1850s, and became the second acquisition of Hillsdown in 1977. It comprises a group of companies including Wilkinsons Furniture (residential) and Wilkinsons Furniture (commercial), Lucas Office Environments, Wilkinson Crown and Classic Furniture Designs.

There are four factories within a 15-mile radius of Pontefract, West Yorkshire, linked to showrooms in Glasgow, Birmingham and London.
Nature of business: Provision of contract and systems furniture to customers such as British Gas, British Telecom, BR, ICL and the Employment Service. Services include floorspace planning, full refurbishment and furnishing offices. Typical contracts deal with the refurbishment of large government offices and the furnishing of student residential halls.
Employees: 370, all in the UK.
Turnover: £23m in 1991 with profit of £1.5m.

TECHNOLOGY FILE
Software product: Hewlett-Packard's two-dimensional ME-10 computer-aided design package for 18 seats. Three-dimensional Solid Modeller is soon to be introduced.
Software supplier: The ME-10 software was developed, installed, and integrated with other systems by Cad specialist Cadtek, a third-party value added reseller for Hewlett-Packard. Cadtek also trained Carleton staff.
Hardware: Apollo 9000 Model 700 under Unix for Cad, running 18 seats of the software, linked to a Unisys 6000/65 under Unix for commercial and manufacturing systems.
Other systems: Integrated with the Cad software is the Progress database which feeds the manufacturing control system and the Unison integrated financial distribution and manufacturing package from Sam System Services, running on a separate Unisys Unix computer. The bill of materials is transferred directly from the Cad systems to the commercial system for materials planning. All four sites use the Cad software, feeding into a central group file, which then feeds Unison.
Systems cost: The Cadtek contract amounted to £250,000, part of an estimated £550,000 spent to date on all the systems. In the Cad field, software is still cheaper than hardware because Cad needs powerful and expensive workstations.

When an important customer recently asked for a special order, Carleton Furniture responded within hours. The speed of response – just over a year ago it would have taken a week and a half – won the £150,000 order. The detailed specification of a desk, drawn and fully costed, had taken half a day.

Even more important, the specification put together at such speed actually worked. The people who had to execute the design by cutting the metal and fitting parts, knew their system would not design something that could not be built.

In the opinion of Steve Dodds, group finance director, the most remarkable achievement at Carleton Furniture is the way it has connected its activities.

In the past two years he has seen the company evolve to a point where it is not just healthy, but expanding its services. He says: "We've invested in the system at a time when most companies are putting their heads in the sand until the recession lifts. When it does, we will be able to offer a better customer service as a consequence of that investment."

Carleton designers rely on a computer-aided design product, but design is only part of the story. The Cad software has become part of a communicative process, which feeds into all aspects of Carleton's operations, and has opened up new horizons for the company.

Its services interconnect: designers, engineers and space planners talk to one another as never before. Each of the production companies seats its designers and planners together on one "island", and even planners working at the showrooms are linked through the computer system.

Carleton has capitalised on its ability to produce quick Cad drawings to launch a specialist service in space planning. This has opened up a lucrative line in "cradle to grave" care for organisations for whom buying, refurbishing and locating furniture is a headache. The next step – as yet not implemented – is to provide a bar code service, so that each item is tagged for inventory purposes.

Dodds has no background in information technology, but feels strongly that line managers must get involved in IT buying and specification. "The knowledge and experience which resides in people who work in the business is an essential part of the input: you can't expect IT experts to absorb it, although they can advise you on technical matters."

Only two tasks – furniture design and space allocation – were the original goals of the the Cad system sought by Carleton Furni-

Claire Gooding continues a series on getting the most out of software by showing how computer-aided design can open up new lines of communication

Rearranging the office furniture

SOFTWARE AT WORK

ture Group two years ago. Carleton's specialist requirements narrowed the choice down to four systems.

User-friendliness was a priority, along with considerations of price, and a reliable supplier who would keep upgrading and supporting the package. Linking with other systems was always part of the plan.

From the beginning, Dodds recognised the importance of using a supplier who would understand the business objectives. "I needed someone who would listen and go through the heartache with us. I would rather have 80 per cent of what I required, done well, than the ability to do 99 per cent but only achieve 60 per cent.

Dodds rejected the bafflingly complex, and those he considered difficult to use. He found that Hewlett-Packard's engineering package Mechanical Engineering 10 (ME-10) could cope with both the engineering design and the more artistic space-planning work, but it was the skill of the supplier, Cadtek.

Dodds says: "I felt Cadtek was capable of taking us on the journey. They have supplied much of the integration with other packages, and that's where the real benefits lie."

The chosen system was 18 "seats" of Hewlett-Packard's ME-JO software supplied by Cadtek. A central database on the computer in Pontefract, West Yorkshire, is fed from the various companies in the group. This in turn feeds the Unison administrative package.

In the past, there were often difficulties in translating the drawn design into real material requirements: there was a "perception gap" about what materials were really needed. The drawing office produced a design manually, which was then translated into a bill of materials planning, and material requirements planning on the shop floor.

Now, instead of separate computer systems, the designer names the product, names the parts and produces a bill of materials automatically. Every database entry is tagged with a specific part number, which ties it to a technical drawing, an associated bill of materials and even the assembly manual which goes with the finished product, all of which makes production much easier.

"Everyone sings from the same hymn sheet, so there are fewer mistakes," says Dodds. Cadtek was responsible for writing the links between systems, working closely with the supplier of the Unison package, Sam System Services of Manchester. "There are advantages in dealing with a single source supplier, too – only one ear to bend," he adds.

Dodds considers the aesthetics of the drawings are now better, and that all four drawing offices have cut down development time. The next step is to graduate to a three-dimensional software package, Solid Designer, which will allow more detailed on-screen testing of the prototype design. The designer will be able to check the drawing from all angles.

The A1-sized print-outs produced at the office at Heron Quays in London's Docklands show minute details, such as the clearance span needed to open cupboard doors. In the past, planners would have to count up the various "footprints" manually: now the computer automatically lists and numbers the items in a plan.

Dodds is happy to cite other instances where the Cad capability has clinched the deal. A recent £800,000 order was won because the company was able to produce a space-plan within a very tight deadline, partly because it could read in existing measurements from the client's own AutoCad package.

Dodds offers some emphatic do's and don'ts for companies setting out to implement Cad software. "Don't underestimate the culture change that needs to take place within the business," he says.

"It's taken us a year longer than we expected. Do make sure you get on with your suppliers. At the end of the day you're investing a great deal: if you can't get on with them, don't do it, however good the software."


Steve Dodds: 'We've invested while most companies put their heads in the sand'

■ **BUZZWORDS**

COMPUTER-AIDED DESIGN installations measure their size in seats. The term is used to describe workstations because they are rarely used on a one-per-desk ratio: the seat is a shared resource used by several different people within a workplace.

ENGINEERING DATA MANAGEMENT is a software tool to manage all product definition data (specifications, engineering drawings, analysis results, process plans, images).

CONSULTANT'S CRITIQUE

One message running through all the cases studied so far is that change is here to stay. In every application of IT to date, the human issues have been more important than technical ones. Carleton discovered that reluctance to change can be the sole impediment to a new project.

The company faced a big change in culture when trying to integrate the drawing office with the production side. The tradition of the job being complete when the drawings were handed over ended with the introduction of computer-aided design. Now designers are required to understand the manufacture of their furniture, as well as its aesthetic qualities.

Change must be managed as a business problem in its own right. Reluctance can turn into bloody-mindedness if not handled carefully. I think Carleton did too little preparation for the effects on work practices and paid the price with an overrun. The Cad system forced greater changes in the interaction between people than in the way they produce drawings.

While the design of the new system gained consistency from being put together by just Steve Dodds and a consultant, it suffered from reduced involvement of the key staff – the line managers. They were involved at the specification stage, but appeared to have less say in the detailed implementation. Perhaps more participation throughout the process might have led to a smoother introduction.

The information technology implementation was not the sole source of cultural change. The company itself underwent big structural changes as a result of growth and acquisition. Dodds faces a common problem: maximising the use of central resources but allowing autonomy in individual divisions.

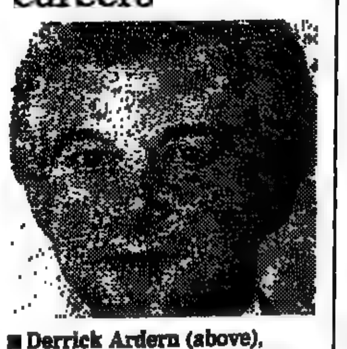
Despite the problems, the system is now producing tangible benefits for Carleton. Fast turnaround means being able to serve customers better and control costs.

Kevin Grumball

The author is a consultant at Software Design and Construction, of Milton Keynes

PEOPLE

Constructive careers



■ **Derrick Ardern** (above), formerly deputy md of Oppidan Estates, has been appointed chairman of JOHN LAING's new property division; he succeeds **John Walshe** who retired as chairman of John Laing Developments.

■ **David Sellers**, regional manager, has been appointed a director of SHEPHERD CONSTRUCTION.

■ **Geoff Topping**, chairman of Taylor Woodrow Construction Holdings, has been appointed a director of TAYLOW WOODROW.

■ **David Robson** has been appointed chairman of AMEC's mechanical and electrical sector following the death of **John Dean**. **Rodney Anderson**, deputy chairman of Amec Construction, has been appointed md of Amec Building; **John Cull** has been appointed md of Amec Utilities.

■ **Richard Douglas**, a director of AMEY Holdings, is also appointed md of Amey Building. **Brian Williams**, formerly a director of Balfour Kilpatrick, has been appointed md of Amey Mec-Tric.

■ **Richard Clare** has been appointed chief executive of EC HARRIS; **John Oswald** takes his place as md and **Christopher Vickers'** title changes from senior partner to chairman.

■ **Bill Reading** has been promoted to sales director of Birtley Engineering, part of TAYLOR WOODROW.

■ **Michael Lodge** (below), formerly a director of Steetley, has been appointed md of CASTLE CEMENT.

Fenhalls puts on running shoes

Richard Fenhalls, who is stepping down as chief executive of Henry Ansbacher, the merchant bank acquired by First National Bank of South Africa, has taken up his first outside appointment, as a non-executive director of Hi-Tec Sports.

The sports shoe designer and distributor has seen its share price collapse in the past nine months after fierce price wars in its UK backyard. A fortnight ago, it announced that Sir Michael Edwardes was joining the board as a non-executive director.

Hi-Tec chairman Frank van Wezel says that Fenhalls, who is, like Edwardes, a South African by birth, came warmly recommended by his compatriot, who has been a long-standing business associate. "He is a keen ocean-racing yachtsman and one of the first questions he asked was whether we have a line in deck shoes," added van Wezel. "When we said we did, under the Bad Boys brand, he was happy."

Fenhalls, 49, is credited with turning round Henry Ansbacher since he joined in 1985. Previously, he had been deputy chairman and chief executive of Guinness Mahon, and before that had worked at American Express Bank and Marine Midland.

Another announcement is expected in about four weeks' time of a position he will be taking up in the City, but no further details are yet available.

Meanwhile Fenhalls is replaced at Henry Ansbacher by Peter Scaife who is on secondment from First National Bank. Scaife becomes managing director of the holding company and chief executive and a deputy chairman of the merchant bank, Henry Ansbacher & Co Ltd.

Bodies politic

■ **Brian Turner**, chief executive of Pillar Building Products, has been appointed president of the ALUMINIUM FEDERATION.

■ **Malcolm Gourlay**, chief executive of Clyde Petroleum, has been appointed chairman of the ASSOCIATION OF BRITISH INDEPENDENT OIL EXPLORATION COMPANIES.

■ **George Cunningham**, president of Musselburgh & Fisherrow Co-operative Society and chairman of the Co-operative Employers Association, has been appointed president of the 1993 CO-OPERATIVE CONGRESS.

■ **John Robb**, chief executive of Wellcome, has been appointed deputy chairman of the HORSERACE BETTING LEVY BOARD.

■ **Richard George**, chairman and md of Weetabix, has become president of the FOOD AND DRINK FEDERATION.

■ **John Naylor**, national secretary of the National Council of YMCAs, has been appointed secretary and treasurer of the CARNEGIE UK TRUST.

■ **Gordon Woodward**, md of Chicago Pneumatic Tool, has been elected president of the BRITISH COMPRESSED AIR SOCIETY.

■ **David Morgan**, formerly technical consultant of the BRITISH WOODWORKING FEDERATION, part of the Building Employers Confederation, has been appointed its director, and takes over on the retirement of Sol Margolis.

■ **Michael Fallon**, a former education minister, has been appointed a member of the Higher Education Funding Council for England.

■ **Joan Bingley**, company secretary of MAI, has been elected president of the Institute of Chartered Secretaries and Administrators in the UK and Republic of Ireland.

■ **David Jenkins**, general secretary of the Wales TUC, **Sir Ronald Halstead**, deputy chairman of British Steel and chairman of the Industrial Development Advisory Board of the DTI, and **Patricia Hodgson**, director of policy and planning at the BBC, have been appointed part-time members of the MONOPOLIES AND MERGERS COMMISSION.

■ **Beverly Anderson** has been appointed chief executive of the BOOK TRUST.

Patten joins Ladbroke

Ladbroke, the hotel, leisure and retail group, has appointed its first female board member, Louise Patten. Patten, 38, who will be a non-executive director, is a partner in the PA Consulting Group. An Oxford graduate, she worked in corporate banking and retail financial services before joining PA, a management and technology consulting firm, in 1985. Her consulting work focuses on the banking and insurance sector and includes advice on property, information technology and personnel.

The group has also announced that Berjis Daver, managing director of Ladbroke Racing in the UK, is to take control of continental European activities. Daver, 52, will be responsible for racing operations in Belgium and Germany and will co-ordinate Ladbroke's campaign to liberalise the European Community's betting markets. Daver joined Ladbroke in 1970 and was appointed managing director of racing in 1986.

Pym joins top building society

Richard Pym, former head of property operations of Burton the high-street retailers, is to be the next group finance director of the Alliance & Leicester Building Society.

A 43-year-old chartered accountant, he joined Burton from BAT in 1983. After stints as finance director of Burton subsidiaries Top Shop and Debenhams, he was appointed deputy finance director of the whole group in 1990. In 1991 he was put in charge of the group's property business but lost his job little more than a year later following a streamlining of the management structure.

He has been appointed group finance director-designate of the Alliance & Leicester, one of Britain's top three building societies, and will take over when 59-year-old Ian Hamilton retires.

MANAGEMENT: MARKETING AND ADVERTISING

Gary Mead looks at Benetton's latest campaign and finds style more evident than substance

Charity in fashion

Benetton's advertising chief, Oliviero Toscani, relishes controversy and for much of 1992 seemed determined to attract it. The Italian clothes company, after all, has been roundly attacked for what many consider its obscurely gloomy or just plain tasteless campaigns.

Following newly-born babies, dying Aids patients and oil-slicked seabirds, Benetton has now returned to an earlier cheeky advertising style. The company's latest press and magazine ad features Luciano Benetton – group founder and vice-president – naked but discreetly veiled by large black type.

In the ad, Luciano Benetton calls on customers to donate their unwanted clothes – all brands, not just Benetton's – to his 7,047 worldwide stores. Here they will be taken by Benetton trucks for redistribution to Africa, Asia and Yugoslavia by charities such as the Red Cross and Caritas.

For a fashion company like Benetton it is important to keep at the forefront of style, be it in the design of clothes or advertising. Many have accused the company of meretricious advertising which was indifferent to human feelings; indeed, one year ago Luciano Benetton said "making charitable contributions . . . isn't our job". He said then that Benetton's advertising was neither intended to offend nor to sell knitwear, but to "raise social awareness" by simply provoking people into a reconsideration of the world they live in.

To some extent what Benetton is doing is a reflection of industry confusion over the future of brand advertising. Some of the world's largest manufacturers of consumer products – including Heinz and Nestlé – are currently debating whether it makes sense to plough hundreds of millions of dollars into advertising, when the connection with sales performance has become increasingly difficult to establish.

Nestlé, for instance, is now showing considerable interest in direct marketing, sending out 50,000 UK mail shots – including pasta samples – to promote its Buitoni brand, a different and cheaper approach to the conventional, expensive TV advertising campaign. But there is no overall pattern; multinationals in other sectors – particularly motor manufacturers in the US and Europe – have announced, through the course of 1992, heavily increased television advertising budgets.

By proclaiming the splintering and changing nature of advertising, Toscani may therefore be pushing at open doors. Where he differs from mainstream advertising bosses is by maintaining that what Benetton is doing is partly an attempt to subvert the nature of advertising.

Oliviero Toscani: 'We spend on advertising in a year what Fiat spends in a day'

In his decade at the top, Benetton's advertising has made no reference to jeans, jumpers or jackets; when published, each photograph has just carried the small "united colours of Benetton" green and white logo.

Toscani is hostile to what he regards as the conventional form of advertising, the promotion of branded products by means of massive expenditure. He asserts that such advertising is redundant, in a world where, he feels, "people take it for granted that all products of a certain type are more or less of the same quality". Rather than continue to use it as a perhaps inadequate sales tool, Toscani says it should instead be the means whereby a company communicates its core philosophy to a wider audience, prodding people into a sometimes uncomfortable awareness of their surrounding world.

Benetton's offbeat marketing strategy means that Toscani has been liberated from any concern about boosting Benetton's sales, which nonetheless increased by 7 per cent to L1,233bn (£586.3m) in the first half of its current financial year, up to the end of September 1992. Benetton restricts its advertising budget to 4 per cent of its annual revenue; from that relatively small spend it has attracted a disproportionate amount of public awareness, by no means all adverse.

Toscani even suggests that spending large sums on advertising may well be seen as morally questionable: "We spend on advertising in one year in Italy what Fiat spends in one day. With the amount large multinationals spend on advertising they could make the best campaign in the world against drug abuse, for example."

To be fair, multinationals like Unilever and Mars are trying to sell individually branded consumer products; Benetton can perhaps afford to occupy the high ground because it is in a different game, that of trying to sell a company image inextricably linked to fashion accessories.

Nevertheless, Toscani intends trying to explode further the whole basis of advertising, paradoxically using his influential position with Benetton to try to develop more open attitudes. "Advertising people have done a lot of social damage by telling us a lot of lies, using fake images and fake dreams to sell us their products, so that today if you are a girl you really are a nobody if you don't look like Isabella Rossellini and if you are a boy you are nothing if you haven't got at least a 16-valved engine."

Benetton's latest campaign, featuring the semi-naked Luciano Benetton, can thus be seen on one level as another finely-calculated contortion. Once again it eschews conventional branding; it simply flings a provocative image in the face of 1,000 magazine and 150 newspaper readers, startling them into awareness of the company.

Yet far from exhorting people to go out and buy Benetton clothes, the advertisements ask readers to give clothes to Benetton for deserving causes. Hardly advertising, in the conventional sense.

Benetton is first and foremost a fashion company, and fashion is notoriously full of contradictions. Last year, charity was not for Benetton; this year it is. It is perhaps as great a mistake to look for consistency in Benetton's advertising as it is to seek it in other aspects of the fashion business.

Changing the prescription

Marjorie Shaffer reports on the pressures forcing US drugs companies to trim their salesforces

Pharmaceuticals groups are being forced to alter the way they market their products in the US. The result is likely to be big cost savings as drugs companies restructure their salesforces, once their biggest cost-centres.

The move is being driven by two important changes. First, the structure of the healthcare market is being transformed by a rapid expansion in the number of managed healthcare organisations. In an effort to keep down drugs expenditure, these organisations purchase prescription medicines centrally, making sales teams at least partly redundant.

Second, drugs companies are being forced for the first time to cut costs as pricing pressures hit margins. "Other businesses have been evaluating cost containment for years, it is just new to pharmaceuticals," said Joseph Jackson, director of health economics at Du Pont Merck Pharmaceutical, based in Wilmington, Delaware.

Less than 10 per cent of skyrocketing US healthcare costs stem from drugs, but prescription costs make up the fastest rising component of the medical care index.

Traditionally, drug firms sent out representatives to scores of physicians who were responsible for choosing the medications their patients used.

Nowadays, an increasing number of physicians belong to managed care plans, such as HMOs (health maintenance organisations) that are interested in curtailing costs. Many impose controls on prescribing by devising lists of drugs – known as formularies – from which physicians are allowed to prescribe.

To gain access to these formularies, pharmaceutical groups are offering more discounts, rebates and other services, say analysts, hospital administrators and industry executives.

Richard de Leon, director of pharmacy services at the University of Michigan Medical Centre, Ann Arbor, says that pharmaceutical firms are also putting together a much larger number of promotional packages, typically called "bundles," where, for example, a price break is given on a fifth drug if four others are put on a formulary. Some companies may bid their entire line of drugs, and provide incentives if certain requirements are met.

As more physicians join the plans and large buying groups like insurance-controlled HMOs gain more power in the marketplace, drugs companies no longer need as big a sales force to call on as many physicians, according to industry observers and executives.

"It is influencing the marketplace right now to the point that there will be fewer detail men because they aren't necessarily going to be calling on every prescriber in the future," said Andrew Stergachis, chairman of the pharmacy department at the University of Washington. "Some of the major companies are already thinking this way."

As a harbinger of this trend, Roy Vagelos, chairman of Merck, one of the world's largest pharmaceutical companies, said last year that large institutional customers account for 52 per cent of Merck's sales volume. By 1995, such purchasers are expected to account for 67 per cent of Merck's sales.

The large customers are supplanting "traditional markets drive by private fee-for-service physicians," Vagelos said.

Consequently, he said Merck would begin reducing its direct sales force by attrition and restructuring. Last year, Merck had a sales force of about 2,700.

Such cuts will help margins which are coming under pressure. Industry analysts said it costs roughly $150,000 to keep a direct-sales person on staff annually.

Not all drug firms have yet committed to reducing the size of their direct-sales forces. "We don't see any reduction in the near term," said Harvey Weintraub, vice president and marketing and sales support at Schering Laboratories, a subsidiary of Schering-Plough.

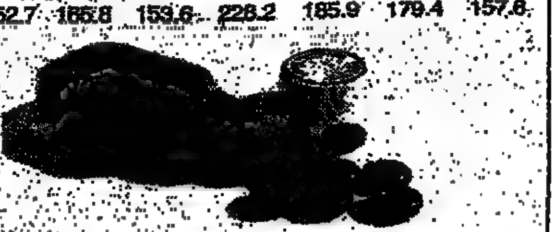
However, Weintraub acknowledged that in the "longer term," the sales force "is not likely to expand if the trend towards fewer and larger customers and formulary constraints continue".

Tony Bonelli, vice president of institutional health care at Parke-Davis, a subsidiary of drug firm Warner-Lambert, said distribution channels for pharmaceuticals had "changed dramatically, with at least 50 per cent (of volume) going through distribution or procurement channels of managed care".

The nature of salesmen is also likely to change. Since they will be negotiating with only a few managed care organisations, rather than general practitioners, they will need to be of better quality. Clearly, the death of the US drugs salesmen is premature, but they are likely to be better qualified and fewer of them.

Margin and ratio comparison

Percentage sales	Wellcome	Glaxo	SmithKline	Merck	Lilly	Upjohn	Pfizer
Selling, general & administration	36.7	36.2	33.1	29.9	26.8	39.2	39.4
Research and development	14.3	14.0	9.2	11.5	13.4	14.4	10.9
Sales per employee ($'00)	152.7	165.8	153.6	228.2	185.9	179.4	157.8



Source: Hoare Govett

CONTRACTS

Supplying navigation systems

AB PHAROS MARINE has won a contract worth £18.4m from the Phillipines Department of Transportation & Communications for the supply and installation of 100 marine aids to navigation systems.

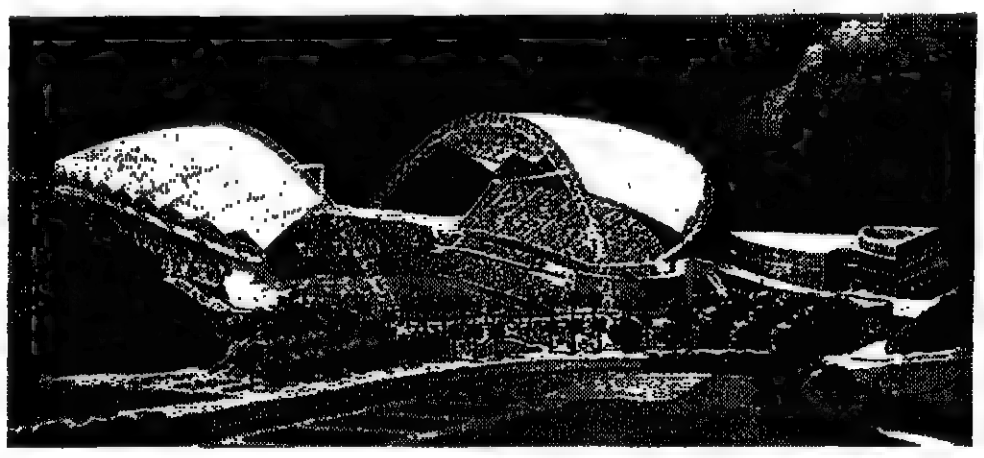
The equipment consists of 98 solar-powered lighthouses and lightbeacons with ranges extending for eight to 22 miles. Also to be delivered are two lightvessels for marking a traffic separation scheme in Manila Bay, and a radio monitoring system by which information on the operational status of some 100 individual stations will be reported to Phillipines Coastguard headquarters in Manila; the monitoring system will employ long-range VHF radio using advanced transmission techniques.

The Phillipines authorities have a forward plan for major upgrading of their aids-to-navigation network, and this project is the first stage to improve the safety and efficiency of inter-island and international shipping routes.

Financing for the project comprises a mixed credit package consisting of a 35 per cent grant from the UK Overseas Development Administration and 65 per cent from a long-term loan by the Bank of America's London branch, supported by the ECGD.

The first shipment under the project is expected to be delivered in May.

Sports facility in Hong Kong



WEMBLEY has won a 10-year contract to manage the new 40,000 capacity Hong Kong Stadium *(pictured)* in Happy Valley from the Urban Development Council on behalf of the Government and funded by the Royal Hong Kong Jockey Club.

The £71m stadium is one of the most significant new building projects in the region and on completion in 1994 will become the territory's premier sport and entertainment venue. It replaces the existing 28,000 capacity venue, which has been demolished to make way for the new development.

£8m orders awarded to Trafalgar House

The regional business of TRAFALGAR HOUSE CONSTRUCTION, the international contractor, has been awarded six new contracts worth more than £8m.

The largest is a £1.8m contract to install fire precaution measures in a nine-storey hospital block at the University Hospital of Wales.

In Scotland the company has a £1.7m contract to build a 7,500 cu metres reinforced concrete reservoir at North Brechin for the Tayside Regional Council.

Work includes laying 10 kilometres of underground pipes and will be completed late next year.

A £1.3m contract for the erection of a training facility will be carried out for the PSA at RAF Lyneham, while another £1m worth of work at RAF Rudloe Manor involves the construction of a new building.

Another £1.2m water contract involves laying nearly four kilometres of surface water and sewerage pipes for South West Water.

The job will be carried out over the next year in the Albert Pier area of Penzance.

In Derbyshire Trafalgar House Construction will carry out a £1m contract to improve and alter a test bed building for a leading aero engine manufacturer.

Iraqi invasion compensation claims

FISHER GROUP, the UK international chartered loss adjusting group headquartered in Banstead, Surrey has been appointed by the Kuwaiti authorities as loss adjusters for processing the larger claims arising from the illegal occupation of Kuwait by the Iraqis in January 1991.

This is believed to be one of the largest loss adjusting contracts ever awarded.

The multi-million pound contract marks the second phase of claim settlement in Kuwait. Under the terms of its contract, Fishers will advise on claims for compensation for damage and losses caused by the Iraqi rinvasion.

Although the claims cannot yet be quantified, Fishers expects them to be valued at several billion ponds.

Loss adjusting for the first phase involving just the smaller claims was carried out by an American consortium.

The processing of major compensation claims in Kuwait is based on the implementation of the Security Council of the United Nations' resolutions which provide for claims to be met by external Iraqi funds.

The Kuwaiti authorities established the Public Authority for Assessment of Compensation which, in turn, appointed Fishers to undertake the contract.

Relieving traffic congestion at Ilkeston

SHEPHARD HILL CIVIL ENGINEERING has been awarded five new orders totalling more than £6m. Pick of the bunch is the award of the £3.4m A6007 Ilkeston relief road to the company's Midland region based in Chesterfield.

For Derbyshire County Council, Shephard Hill is to build 1.1km of dual carriageway, partly in cutting up to seven metres deep, with retaining walls, two footbridges and a pedestrian underpass.

Shephard Hill is to renew its long association with British Coal Opencast which has engaged the company to carry out £1.25m of roadworks in connection with the Bleak House site near Cannock.

Staffordshire County Council's design services department has designed the scheme and will supervise the diversion of the Hednesford and Ironstone roads as well as the construction of two underpasses.

Network SouthEast has placed an order worth £1.2m with Shephard Hill's southern region to reconstruct and lengthen a railway bridge at Loampit Vale. This is necessary to accommodate the Lewisham town centre improvement which is also being undertaken by the company from its High Wycombe office.

Other orders include coastal protection works at Caister (£169,000) and foundations for a substation (£103,000).

Survey services project

OCEONICS, the UK company based in Great Yarmouth, has been awarded a contract by Hyundai Heavy Industries to provide positioning and survey services during a construction project, offshore Hainan Island in the People's Republic of China.

These operations will take place during the first half of 1993 and will involve the positioning of two barges, two tugs and one survey vessel to support pipeline and jacket installations.

Operations will be supported from Oceonics' regional headquarters in Singapore and locally through its joint venture partners Nanhai-Geomex, based in Zhanjiang.

The company's subsidiary Geosite Surveys (Nigeria) has received confirmation of a two-year extension to Shell Nigeria's swamp and offshore survey services contract.

To support both swamp and offshore survey operations fully equipped with offices, workshops, storage areas and waterside facilities are located at Warri and Port Harcourt with a liaison office located at Lagos.

Mixed batch won by Willmott Dixon

The WILIMOTT DIXON GROUP begins the New Year by starting work on six new contracts worth £9m.

Willmott Dixon Midlands is celebrating its third year of operating in the area with four new housing association contracts, a project for a hospital trust and one for a major hotel chain.

The East Birmingham Hospital NHS Trust has awarded the company the £3.1m building contract for a new accident and emergency department at its site in Bordesley Green East.

Four housing association projects won by the company will result in an additional 80 houses and flats for rent in Birmingham, Coventry and Wolverhampton.

Handel's Ottone

To judge from the recent Handel operas in London the age of lavish Baroque splendour has long gone. The only way that this production of *Ottone* reached the stage was with generous funding from a concert hall in Tokyo, where it had already been presented, and even then the organisation which was promoting it expects to make a loss of about £5,000 on its single performance at the Queen Elizabeth Hall on Monday.

In these circumstances some indulgence may be exercised over shortcomings in the staging. In fact, Patrick Garland's production, consisting of little more than a throne and a bench under the watchful eye of a Roman imperial eagle, only just deserved to be called that, rather than a concert performance in costume. (One does wonder where the money went.) But at least it had the virtue that it did not often distract from the music.

The opening night of *Ottone* in January 1723 must have been a splendid affair. Handel was writing for an all-star cast, including the famous castrato Senesino, who took the title-role, and a soon-to-be-equally-celebrated soprano, Francesca Cuzzoni, arriving from Italy for her first London appearance. The work may lack the individual flair of the great Handelian operas, but it does have its fair share of memorable solo arias.

At this performance the Senesino role was taken by James Bowman, for whom the present revival was largely undertaken. It is difficult to imagine what an impact a castrato might have had in this music, but Bowman, even these days when his counter-tenor is less malleable than in his youth, makes the music come alive with a fine sense of spontaneity. His most moving aria, "Tanti affanni", was sung with both force of expression and intimacy.

In Cuzzoni's role, Claron McFadden was beautifully lyrical, rather than dazzling. (This was the original 1723 version of the score, before Handel added extra arias to show off his soprano's brilliance.) Jennifer Smith played the ambitious mother, Gismonda, and Dominique Visse the son she tries to push on to the throne, his piercing counter-tenor making the pretender sound a spoilt child. Linda Ormiston sang the fighting mezzo role of Matilda and Michael George, in firm bass voice, the pirate Emireno.

All round there was some want of personality in the singing, although that may have derived from the playing of the King's Consort under Robert King, which was always admirably stylish, but less keen to probe far below the music's surface. I note, incidentally, that Cuzzoni's fee was £1,500, which must have been a vast sum in 1723, and yet the season made a profit. Clearly, the economics of putting on an opera have changed since then.

Richard Fairman

Cinema/**Nigel Andrews**

All stoked up over Dracula

Bloodsucking Counts can seldom count on long hibernations between movie crazes. Or between those cyclical cries of commentators that a newer, truer, sexier vampire has been born. It is only 12 years, by my guttering candle, since silken-tongued Frank Langella's Dracula, presiding over a pack of vampire films, was acclaimed for putting the sex back into the story. Gary Oldman for Francis Coppola is now acclaimed for doing the same in *Bram Stoker's Dracula*.

But when was sex ever out of the story? Stoker's novel is as Freudian as a pre-Freudian text could be. Apart from the cinema's first great Blood Count, the bat-eared, rat-toothed Max Schreck in *Nosferatu*, every new prince of darkness has been acclaimed for re-eroticising the role. Bela Lugosi made women swoon; Christopher Lee hissed out sex appeal as starlets dropped like flies; and now Oldman's metamorphic seducer, inducing orgasms in his women as pollen induces sneezing, is hailed for – yes – putting the sex back into Stoker.

Certainly something is being put into Stoker. Coppola directs as if he has been sitting on a Pandora's box of pictorial invention since *The Godfather*. Out fly wild painted mountain scapes, shadows that move independently of their owners, giant diary pages embossed on blood-red landscapes, snuffling Steadicams snaking through undergrowth, blood-weltered monsters flung against walls and becoming an army of rats, and an anti-hero who changes guise as often as – well, as Coppola himself in the most protean career any major film-maker ever had.

Do we detect a hint of self-portraiture, even unwitting? After *Godfather III* – Corleone-Coppola as King Lear – here is Coppola as the tragic prince: a demonised hero seeking love (the admiration of movie audiences) through the doomy blur of an ineluctable blood-lust (commercial mandates of money-mad film industry). Far-fetched? Nonsense. It is as tenable a theory as any other now being flung about in the climate of out-with-the-essay pens, here comes Dracula again. The reason everyone thinks Coppola's film has put the sex back into Stoker is because it has put the sensual élan back into Coppola.

BRAM STOKER'S DRACULA (18)
Francis Coppola

MIDNIGHT STING (15)
Michael Ritchie

ANNABELLE PARTAGEE (18)
Francesca Comencini

TRIPLE BOGEY ON A PAR FIVE HOLE
Amos Poe

The film is an education in lyrical chaos. The first six days of Creation must have been something like this: magnificent, disorderly, terrifying, stroboscopic. Writer James V. Hart (of *Hook*) claims his screenplay is true to the untapped inspirational founts in Stoker's original: he has talked about warrior princes fallen from grace and Victorian sexuality put on the psychiatrist's couch. But the script seems muddled and multi-directional to me, and it majors in gauche dialogue. Are we *supposed* to giggle when Anthony Hopkins's Van Helsing outlines to the dead Lucy's grieving fiancé his post-funeral arrangements: "I just want to cut off her head and take out her heart."

Coppola cuts off the script's head and puts in some art. Base matter is duly set boiling with being. As *Apocalypse Now* rearranged the face of nature, weaving man's own features into the jungle vistas, this *Dracula* makes the landscape symbiotic with the living beings. Keanu Reeves's amiably callow Jonathan Harker, a hero-narrator lost in his story like Martin Sheen up the Mekong, finds Dracula-Kurtz in his lair and stumbles on the great Gothic secret of existence. This is: that the average fearful human being, unnerved enough by life before death, is horribly afraid that there is life *after* death and lots of it.

So Gary Oldman's Count is an appetite incarnate, an Id that clothes itself in different guises. He dies in mediaeval Romania, an armadillo-armoured warrior. He rises to meet Reeves as an ageing, monster-wigged dandy with mutinous shadow. And later he mutates into a frockcoated dark-glassed seducer, a wolf, and a ravening bat-monster.

Portrait of the film-maker as rabid quick-change artist; and portraits of the audience as his willingly terrified victims. As Count Coppola ravishes our senses with some of the most beautifully haywire scene-painting since Hieronymus Bosch, Count Oldman taps the tuning fork of his lust, pitched to the human scream, on demure Mina (Winona Ryder) and not-so-demure Lucy (Sadie Frost).

Yes, the film is foolish in its drawing-room scenes: all gowns, dinner jackets and Brit accents waiting to be savaged by the primitive. But two scenes leap towards brilliance. one, the dark-glassed Count ushers Mina off a London street into an early kinematograph show, where literal ravishment is rhymed with the aesthetic ravishment of a screen train rumbling towards a screaming audience. In the other, the massed band of heroes and heroines gallops over midnight crags to their revenge rendezvous at Dracula's castle, in a paint-and-matte sequence as kinetic as a Saturday matinee serial and as richly-coloured as one of the Corman-Poe films on which Coppola served his apprenticeship.

Beside sequences like these, the putting-the-sex-back-into-Stoker passages seems tired and dutiful. Here an orgasm, there a rape; somewhere else a frolic with three nude devil-maidens, born out of giant bed-sheets like the Rhinemaidens in the time-tunnel *Ring*. No, the sex is an old old story. What makes this *Dracula* special is the hand and eye of a great film-maker playing God, in the few interludes when the script and its post-Freudian prescriptions allow him to.

★

The delightful *Midnight Sting*, despite title, has no night-walking creatures sinking sharp body-parts into their victims. Unless you count con man and ex-con James Woods, his brain honed to a point by years of gainful imposture. Fresh from jail, he is determined to give Diggstown ("the rural capital of cash fighting") and its owner Bruce Dern, who won the town after a crooked bet, a boxing night to remember. Woods puts up ex-prizefighter Lou Gossett Jr, a sagging-chested 48, and wagers that he will win ten fights in a row against local comers.

Seconds out. Ring bell. Roll camera. Director Michael Ritchie (*The Candidate*, *Smile*), adapting a Leonard Wise novel, gives the all-day boxathon the right Rockyish rubato of slow builds and sudden flurries. And this tale of a ringside "sting" has a cunning sting in its own tail. But the real prize-fight happens outside the arena: in the three-way play-off between the stars. Woods is a human dynamo, all fizzing wires and switch-on smiles; Gossett is a cunning old bear lumbering after new honey-pots; and Dern, with his roguish rodent charm, does more expressive things with his teeth than Dracula ever dreamt of.

Elsewhere it is desperation week at the cinema. Avoid Francesca Comencini's *Annabelle Partagée* , a French film about *l'amour* in which *l'ennui* takes over early on. And send only those moviegoing friends time-warped in the 1960s to Amos Poe's *Triple Bogey On A Par Five Hole*. The shaggy-dog title denotes a shaggy-dog film: four characters drifting round New York in a yacht while a fifth (Eric Mitchell) tries to unravel their mystery-prone family history. Deeply minimalist, deeply minimal.

★

It is never too late to say good-bye, and Audrey Hepburn deserves a last bouquet from a lasting admirer. She was a star for a simple reason. She had a beautiful face and a beautiful voice but there was an enchanting mismatch between the two. The features belonged to a free-as-air pixie, but the voice was husky and choked as though the pixie had strayed to earth and drunk too much champagne. Hence her prowess in mournful-funny princess roles: from *Roman Holiday* to *War And Peace*, Breakfast At *Tiffanys* to *My Fair Lady*. Her serious, giddy naturalism seemed modern 40 years ago and still seems fresh when viewed today.

Coppola's magnificent foray into lyrical chaos: Gary Oldman and Winona Ryder in 'Bram Stoker's Dracula'

Theatre/**Malcolm Rutherford**

The Last Yankee

Arthur Miller, the American playwright who made his name with such pieces as *Death of a Salesman* and *The Crucible* in the late 1940s, early 1950s, is having a remarkable Indian summer. His excellent *The Ride Down Mount Morgan* had its premiere in London just over a year ago. Now comes the shorter, but equally compelling *The Last Yankee* which contains one of the most moving scenes I have ever seen in a modern play.

More of that in a moment. First a word about the rest of the piece and the Miller style. His speciality is dialogue between fairly ordinary people, Americans who cannot get on or cope as well as they would like. *The Last Yankee* is set in a state mental home, but there is no evidence that anyone is particularly mad – just disturbed and unhappy.

There are four characters. (A mysterious fifth presence sleeps through without speaking.) Patricia (Zoë Wanamaker), a Swedish American and mother of seven, is there largely, it seems, because she is depressed by her husband's lack of ambition. A descendant of Alexander Hamilton, he prefers being a carpenter to making money. The husband (Peter Davison) is a visitor not a patient, though he too can come quite close to breakdown. If his profession reminds you of Christ, this is deliberate but not overdone. He is a saint-like figure with a lot to put up with. The pair who turn *The Last Yankee* into drama, however, are an older couple.

John Frick, played with immense authenticity by David Healy, is a building contractor who has sold his business for, one assumes, a large sum of money. He again is a visitor not a patient; his wife, Karen, is there because she does funny things, like getting up and tap-dancing at two o'clock in the morning. In other words, her husband doesn't take enough notice of her.

Much of the dialogue is inconsequential. The two men talk about the car-parking facilities and the surprisingly high standards of the state home compared with a private institution. Miller also throws in odd facts, like the poverty of Swedish Americans when they first arrived in the 19th century, and the incidence of unsuccessful treatment for depression. Talk of money is never far away.

The really stunning moment comes towards the end when Karen performs her tap-dance in the full regalia of top hat, tail coat, cane and satin shorts. Very briefly her husband is persuaded to sing "Swanee" to accompany her. The scene comes unexpectedly and is almost over before the tears have welled up, but you will seldom see anything better on stage. Helen Burns's Karen is squat and not pretty; her humanity is overwhelming. The immaculate direction is by David Thacker.

Young Vic until March 27 (017) 928 6363. Sponsored by Mercury Com*munications*

Opera

Rheingold in Chicago

Planned as the start of a new Ring, this *Das Rheingold* at the Lyric Theatre, Chicago has its definitive moment in the second scene, at the point where the assembled gods are wondering quite what to do. As in the opera at this juncture, a lot of diverse forces have been brought together – in the cast, in the orchestra, in the design elements – but the spirit of fire has yet to arrive.

Zubin Mehta conducts an extraordinarily thin-textured performance, one which, in its disconcerting starts and stops, suggests old-fashioned accompanied recitative and which never lifts to embody or empower the music. August Everding, the producer, opts for an easy literalism and easy sterotypes (the interpretation of Fricka as a wheedling mumsy is grotesque). John Conklin's design ideas are borrowed from hither and yon, and just dumped on to the stage.

The collage quality of the production is revealed at once, in the imagery displayed during the orchestral prelude: first a huge projection of a faintly pre-Columbian mask with a broken nose (only at the other end of the opera does the apparition of Erda finally suggests this is her signature), then the three norns spinning a rope of blue light, then the Rhine (a water photograph at the back of the black, grille-sided box in which everything takes place) and her maidens.

These last are doubled – and this is the production's one thrill – by three flying acrobats in elasticated harnesses, using the great height of the Chicago stage opening to dart and bounce and flutter with marvellous agility. Even this display, though, is not as magical as it might have been without the ineffective efforts to disguise the machinery, and there is a similar not-quite-achieved feel to other aspects of the staging.

For no very good reason, the scenes in the gods' world incorporate a Japanese-style low rectangular enclosure painted in cinnabar red. The giants are shadowed by immense framework puppets, which soon lose their surprise and begin to look merely redundant. And the costumes are all over the place: long black robes and purple sashes to make the giants look like a couple of monsignors, a Fricka done up in decadent splendour as cousin to Herodias, and Froh and Donner in bikers' leathers.

The production's virtues have to be sought among the cast, where strengths abound. The presence of so many international names – James Morris as Wotan, Ekkehard Wlaschiha as Alberich, Matthias Hölle as Fasolt – looks like cheque-book casting, but it has impressive results.

Mr Morris comes to Chicago having sung his role everywhere from San Francisco to Covent Garden, and on two recordings, but he still sounds fastened to and driven by the urgency of Wotan's dilemma: with no hint of any discomfort through a hefty stretch of impressively hefty singing, he can afford to colour the occasional attack with a grating strength, and, if anything, he sounds more purposeful than he has before.

Mr Wlaschiha's severe, black voice and presence cannot reach to the lubricity of the opening scene, but thereafter this is a stark portrayal. And Mr Hölle produces sound and phrasing of a ravishing quality to suggest in Fasolt the pride and perfection of the humble.

Equally admirable are some of the younger singers. Dennis Petersen brings a sudden burst of life to the stage in his appearance as Mime: his singing is quick and sure, and neatly characterised without being turned into a croak, while in his acting he leaps out from the slough of the production.

Nancy Maultsby is splendidly sure and strong all the way down to Erda's depths; Mark Baker is a lustrous Froh; and Bryn Terfel, no less, brings his musicality, burly eagerness and confident vocal force to the part of Donner, which seems far too small a space for a singer of his distinction to be crammed into.

The opera is always waiting to be stolen by Loge, and this muddled production puts nothing, dramatically, in his way. Barry McCauley sings the part with a Heldentenorish resolution and, though his acting tends to be careful, easily has the last laugh as the gods climb into Valhalla through the production's heavy-handed image – red poles emerging through the gold stairway – of blood to come.

Paul Griffiths

RA's plans for 1993

The early work of Georges Rouault; the city paintings of Pissarro; a major retrospective of 20th century American art; and Master drawings from the Getty Museum are the main dishes on the Royal Academy's exhibitions menu for 1993.

There is also a late dessert, the cache of Modigliani drawings which he gave to his physician and which have recently come to light; 200 are to be shown in January 1994 and they are expected to increase the reputation of this rather stereotyped artist.

As ever the Summer Exhibition fills the RA from June 6. Last year it attracted 122,000 visitors and 1,700 of the 12,000 submitted works were hung. This year the RA will take 30 per cent of the price of any art sold.

Following the success of its new Sackler galleries, the RA is launching a £7.8m appeal to refurbish its main 19th-century rooms. It is also casting eyes on the nearby Museum of Mankind. If this, as planned, moves its exhibits back into the British Museum after the final opening of the British Library, the RA would like to take over the space and make it the national centre for architecture.

The RA had a good financial year in 1992, with attendances breaching the 1m mark. There was actually a final surplus of £320,000. But secretary Piers Rogers forecasts two difficult years ahead, with sponsorship support increasingly hard to find. The latest exhibition, *The Great Age of British Watercolours*, is drawing disappointing attendances in its opening weeks.

A.T.

INTERNATIONAL ARTS GUIDE

■ ATHENS

Concert Hall Tonight: Nikos Xydakis song concert. Tomorrow: Patrick Gallois conducts Athens State Orchestra in works by Sibelius, Nielsen and Grieg. Sat and Sun: Cracow Philharmonic Orchestra plays works by Penderecki and Szymanowski. Mon and Tues: Kenneth Montgomery conducts La Camerata in works by Haydn, Nielsen and Mozart (722 5511)

■ BOLOGNA

Teatro Communale 18.00 Paolo Carignani conducts Enzo Dara's production of Cimarosa's Amor Rende Sagace (repeated Sat, Sun, Tues and Wed). Tomorrow: final performance of Graham Vick's production of L'Incoronazione di Poppea. Mon: Iona Brown directs Norwegian Chamber Orchestra (529999)

■ DRESDEN

Semperoper Tonight: members of Dresden Staatskapelle play chamber music by Reger and Brahms. Tomorrow: Gluck's Orfeo. Sat and Wed: La Cenerentola with Kathleen Kuhlmann. Sun: Michail Jurowski conducts first night of Peter Konwitschny's new production of The Bartered Bride. Tues: Le nozze di Figaro (484 2731). Sat in Schloss Albrechtsberg: chamber music concert (486 6306)

■ GENOA

The current production at Teatro Carlo Felice is Rigoletto, staged by Lamberto Puggelli and conducted by Fabio Luisi, with Leo Nucci in the title role. Runs till Feb 14, next performances tomorrow evening, Sun afternoon and next Wed (589329)

■ LONDON

THEATRE

● An Inspector Calls: JB Priestley's psychological thriller transfers to the Olivier after a sell-out run at the Lyttelton, daily except Sun till Feb 6. The National's repertory also includes Nicholas Hytner's much admired production of the Rodgers and Hammerstein musical Carousel, daily except Sun till March 27 (National Theatre 071-928 2252)

● Hamlet: Kenneth Branagh stars in Adrian Noble's production of Shakespeare's tragedy. The RSC repertory also includes two new plays – Peter Shaffer's The Gift of the Gorgon starring Judi Dench, and James Robson's King Baby, about a self-made businessman's efforts to kick alcoholism and save his marriage (Barbican 071-638 8891)

● King Lear: Max Stafford-Clark directs a new production with Tom Wilkinson as the tragic king (Royal Court 071-730 1745)

● The Deep Blue Sea: Penelope Wilton heads the cast in a revival of Terence Rattigan's study of obsession and the destructive power of love. Till March 6 (Almeida 071-359 4404)

● Cyrano de Bergerac: Robert Lindsay stars in a stage adaptation by John Wells, directed by Elijah Moshinsky (Haymarket 071-930 8800)

● For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

DANCE/OPERA

Covent Garden Royal Ballet has a triple bill tonight including MacMillan's Judas Tree, followed by Sleeping Beauty on Sat, Mon and next Fri, and Cinderella on Wed. Royal Opera has a new production of Verdi's Stiffelio tomorrow and Tues (in repertory till Feb 18), conducted by Edward Downes, staged by Elijah Moshinsky with a cast led by José Carreras and Catherine Malfitano (071-240 1066)

Coliseum ENO has Carmen with Sally Burgess tomorrow, Mon and Wed, The Turn of the Screw with Valerie Masterson and Philip Langridge on Sat and Tues, and a revival of Jonathan Miller's production of Rigoletto next Thurs (071-836 3161)

Sadler's Wells Birmingham Royal Ballet opens a two-week season on Tues with a repertory including two story ballets by David Bintley, Ashton's Façade and the London premiere of Kurt Jooss' The Green Table (071-278 8916)

Royal Albert Hall Bolshoy Ballet season runs daily except Mon till Feb 13, with extracts from 13 classical works (071-589 8212)

Queen Elizabeth Hall Mon and Tues: CandoCo and Nederlands Dans Theater double bill (071-928 8800)

CONCERTS

South Bank Centre Tonight and tomorrow in Festival Hall: Franz Welser-Möst conducts LPO, with piano soloist Mitsuko Uchida. Tonight in QE Hall: Neville Marriner conducts Academy of St Martin in the Fields. Tomorrow in QE Hall: Paco Peña. Sat: Vladimir Ashkenazy conducts RPO in Walton's Violin Concerto (Joshua Bell) and First Symphony. Sun: English Chamber Orchestra plays Mozart and Vivaldi. Tues: Welser-Möst conducts Schubert and Stravinsky. Next Thurs: Yehudi Menuhin conducts YMSO. Feb 7: Boulez conducts Messiaen and Carter. Feb 8: Solti conducts Vienna Philharmonic (071-928 8800)

Barbican Tonight: Ion Marin conducts LSO with piano soloist Bruno Leonardo Gelber. Tomorrow: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in Mozart programme. Sat: Gidon Kremer violin recital. Sun: Richard Hickox conducts Elgar's The Light of Life. Mon: John Adams conducts London Sinfonietta in all-American programme. Feb 5: Anne-Sophie Mutter. Feb 6: Stéphane Grappelli 85th birthday concert (071-638 8891)

■ MADRID

Auditorio Nacional de Musica Tonight: Trio de Florencia plays works by Schubert, Fauré and Ramon Ramos. Tomorrow, Sat, Sun: Luis Izquierdo conducts Spanish National Orchestra and Chorus in works by Turina, Szymanowski, Grieg and Wagner. Tues and Wed: I Solisti Aquilani play Mozart (337 0100)

■ PRAGUE

CONCERTS

Jiri Belohlavek conducts Czech Philharmonic Orchestra in Rafael Kubelik's Invocation and Beethoven's Fourth Symphony tonight and tomorrow in Dvořák Hall. Wed: Panoch Quartet. Next Thurs and Fri: Andrew Davis conducts Elgar and Martinu (286 0111). Sat in Smetana Hall: piano recital by Sequeira Costa. Sun: Clemencic Consort plays sacred music by Vivaldi. Next Wed: Maxim Shostakovich conducts Prague Symphony Orchestra in works by Beethoven and Shostakovich (232 2501)

OPERA

A new production of La scala di seta opens tomorrow at National Theatre. The repertory also includes The Bartered Bride tonight and La forza del destino on Sat (205364). Estates Theatre has Le nozze di Figaro tomorrow and Sun (228658). Prague State Opera has Die Fledermaus tomorrow and Sun, and Hansel and Gretel on Sat, with no further performances till Feb 10. Martin Turnovsky conducts a new production of Un ballo in maschera opening on Feb 21 (265353)

● For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 261602, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

■ STOCKHOLM

OPERA

Tonight and Tues: Siegfried Köhler conducts August Everding's production of Arabella, with Anita Soldh in title role. Tomorrow and next Thurs: Simon Boccanegra. Sat and Mon: Così fan tutte. Wed: Cav and Pag. All performances sung in original language with Swedish surtitles. Feb 13: new ballet production with choreographies by Kylian, Béjart and Alvin Ailey (Royal Opera 248240)

CONCERTS

Sat afternoon at Berwaldhallen: concert performance of Frank Martin's Le Vin Herbé. Sun afternoon: Brahms' First Serenade and Stravinsky's Soldier's Tale (784 1800). Next Wed at Konserthuset: Leif Segerstam conducts Stockholm Philharmonic Orchestra in works by Strauss, Lloyd Webber, Weill and Respighi. Feb 7: Anne Sophie Mutter (244130)

European Cable and Satellite Business TV

(all times are Central European Time)

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Super Channel: European Business Today 0700; 22.30

MONDAY

Super Channel: West of Moscow 1200.

Super Channel: Financial Times Reports 0630

THURSDAY

Sky News: Financial Times Reports 2030; 0130

FRIDAY

Super Channel: European Business Today 0700; 1200; 2230

Sky News: Financial Times Reports 0530

SATURDAY

Super Channel: Financial Times Reports 0830

Sky News: West of Moscow 1130; 2230

SUNDAY

Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030

The view from Silicon Valley

BOOK REVIEW

WHO'S BASHING WHOM?
Trade Conflict in High Technology
By Laura D'Andrea Tyson
Institute for International Economics. $25; Longman, £19.99. 324 pp

"If the US fails to choose the semiconductor industry as a winner, American producers may well become long-run losers in the rigged game of international competition." No sentence better encapsulates the attitudes in Laura D'Andrea Tyson's book.

The book is both thought-provoking and important. But it is important even more than it is thought-provoking. It is important for three reasons: because of the ideas it advances; because its author is now chairman of President Clinton's Council of Economic Advisers; and because the president's choice itself sends a signal. Where the Reagan and Bush administrations went shamefacedly and half-heartedly, this administration will advance with conviction.

Professor Tyson's appointment has been roundly criticised by academic economists, mainly for the wrong reasons. Being a first-rate theoretical economist is neither a necessary nor a sufficient condition for being a good policy adviser. Believing both in the division of labour and learning by doing, economists should understand that. Certainly, Mr Clinton has no cause to share the snobbery of professional economists. What he will want to know is whether his adviser shares his objectives.

If he has read Prof Tyson's book, he will know that she does. It argues strongly for government support of American "high-technology" industry. Its core is a set of case studies of how international competition in high-technology production is distorted by foreigners. Her principal conclusion is that the US "can no longer afford the soothing but largely irrelevant position that market forces alone should determine industry outcomes in the future."

Prof Tyson argues that:

- Competitive advantage in high-technology production is man-made.
- High-technology industries are "strategic", in that "they fund a disproportionate amount of industrial research and development ... and provide quasi-rents or higher returns to labour than those available in most other economic activities".
- "The potential strategic threats posed by foreign oligopolistic control in some high-technology industries should be a cause for policy concern, ... *especially when this control is exercised by the Japanese*" (my emphasis).
- Many of America's trading partners "are convinced that high-technology industries are strategic, and they are willing to protect and promote them".
- Finally, "it is utopian to imagine that the world will have enforceable rules for high-technology trade and investment any time soon".

Her answer, one derived from her case studies of obstacles to access to the Japanese market in computers, cellular telephones and semiconductors, and of experience with Europe's Airbus programme, is what she calls a "defensive trade and domestic policy".

"I recommend," writes Prof Tyson, "that the nation's trade laws be used to deter or compensate for foreign practices that are not adequately regulated by existing multilateral rules ... In addition, I believe that, in pursuit of defensive objectives, US policymakers should be guided by the principle of selective reciprocity and motivated by the goal of opening foreign markets. Wherever possible they should favour approaches that encourage trade and competition over those that discourage them."

Prof Tyson is right to call herself cautious. She recognises, for example, that "even if one accepts the notion that competitive advantage in [high-technology] industries can be created by government action, one need not conclude that such action is warranted – it all depends on the costs and the benefits." She accepts too that "trade policy is incapable of solving the competitive difficulties facing this nation's high-technology producers" and shows particular awareness of the many drawbacks of voluntary export restraints and anti-dumping measures.

What is more, she even admits that "flawed domestic choices, not unfair foreign trading practices, are the main cause of the nation's long-run economic slowdown". Meanwhile, her favourite industrial policy seems to be support for civilian R&D, including direct government funding of "pre-competitive generic technologies".

How far are her positions persuasive and, persuasive or not, what would be the consequences, both for the US and for the world, of attempts by the US to do what she recommends?

Questions must be raised about many of her arguments. Is Japanese success in high-technology manufacturing not explained by the country's high savings and its hard-working and highly educated population? What about the failures that litter the history of attempts by governments to promote high-technology industry? Is Airbus an economic as well as an engineering success? If high-technology leadership generates large positive spillovers, why did the US, the unquestioned leader of 20 years ago, perform relatively poorly thereafter? Do the spillover benefits of high-technology industry offset the costs imposed by incompetent attempts to promote it?

Yet the principal concern must no longer be whether Prof Tyson is right, but rather with the consequences of her views. One could be to give *carte blanche* to US politicians and lobbyists, who are itching to have a go at perfidious foreigners, particularly the Japanese. Another could be to flood the world economy with high-technology products, to the great pleasure of consumers and the frustration of producers. Yet the most important *could well be still more trade* friction, as the US adopts her narrowly sectoral and bilateral focus. Prof Tyson believes in "cautious activism", but who will rein in the incautious activists?

Martin Wolf

ECONOMIC VIEWPOINT

Fiscal virtue, but not yet please

By Samuel Brittan

British budgetary policy this year will be more interesting than usual. There will be two Budgets – the last of the tax-only ones this March and the first of the new-style ones bringing spending and tax together in December.

More important, the chancellor faces a medium-term problem – an entrenched budget deficit that is not just the result of recession.

There is a good deal of uncertainty – intellectual as well as political – about just how large the correction should be, by what means it should be carried out and when to undertake it. Sound finance advocates got a lot of egg on their faces by predicting disaster from Ronald Reagan's budget deficits.

The main danger is not so *much a sterling crisis* or an inflationary explosion, as a process of creeping debilitation, as in the US, where budgetary stringency has become the main influence on foreign and defence policy, and where more of the Budget has to be devoted to debt servicing.

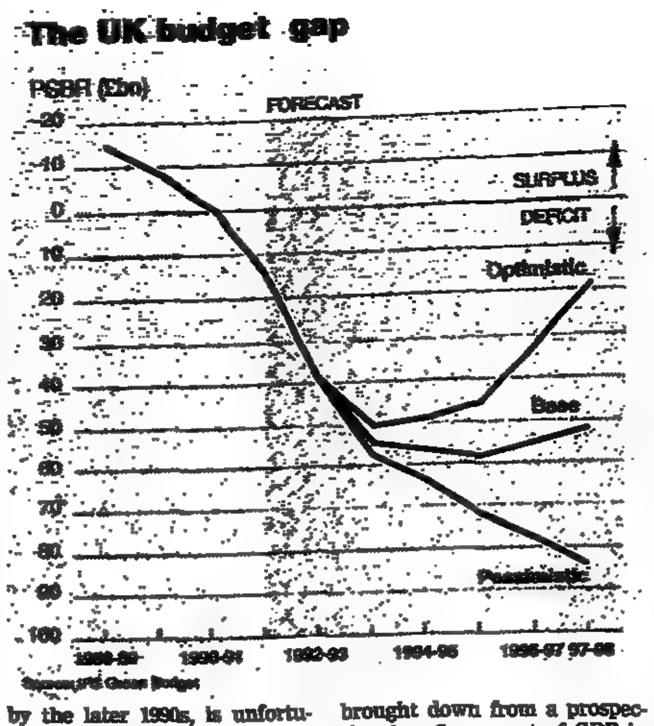
The latest Green Budget, Tax Options 1993, just published by the Institute for Fiscal Studies in collaboration with Goldman Sachs, provides the best available insight into the UK problem. It also marks the first appearance of political correctness in this series. "If an executive knows that she is going to buy a machine next year, it costs her little to buy it this year instead if it saves tax."

The Green Budget authors trace three possible fiscal paths. In the base line case there is, as the Treasury hopes, a modest recovery in the economy in the next financial year followed by 3 per cent average growth in the years to 1997-98. This growth rate is regarded as sufficient to reduce unemployment slowly.

Suppose the government stuck to existing public spending plans and did nothing but adjust tax thresholds and specific duties for inflation? On the baseline projection, the public sector borrowing requirement would rise to about £55bn in the next two financial years – more than 9 per cent of gross domestic product if privatisation proceeds are excluded, with only *minimal improvement in later years.*

In the optimistic case, the PSBR falls to below £20bn in 1997-98 and is then set to fall further. But this case is based on a rather unrealistic model. The pessimistic one, where the PSBR rises to more than £80bn by the later 1990s, is unfortunately more believable.

The UK budget gap



To the moralistically minded, even the baseline prospects will be self-evidently scandalous. The Green Budget, however, rightly goes into some detail on just how much correction is required. A sensible long-term objective would be to stabilise the ratio of *public sector debt to GDP once the* economy is on its normal growth path – whatever that may be.

The gross national debt to GDP ratio is now just over 40 per cent, but is rising at 5 percentage points a year. No remotely feasible measures can prevent it climbing further in the next few years; but it will eventually have to be stabilised to avoid an Italian or *Greek-style debt trap* in which the deficit threatens to explode under the weight of the increasing interest rates required to service it.

The green paper authors estimate that to stabilise the debt ratio at, say, 60 per cent of GDP, the PSBR will have to be brought down from a prospective 6 or 7 per cent of GDP in 1993-94 to some 3 per cent later. Their target is thus the same as that in the Maastricht treaty. To achieve it could require spending curbs or tax increases of some 2 to 4 per cent of GDP, or £20bn to £40bn a year.

When should the chancellor *move? The arguments for acting* in December rather than now are not those of fine tuning. There is still a threat of a prolonged depression with slow spending, falling asset prices, and rising unemployment, all feeding on each other. As they showed with Tuesday's 1 percentage point base rate cut, the Treasury and Bank of England have this time not been deceived by the *supposedly favourable January* CBI survey. The improvement relates to confidence and expectations rather than orders; and the comparison is with last autumn's Black Wednesday gloom.

The case for strong measures to curb the budget deficit will only come into its own when recovery is established. But the chancellor still needs to outline the dimensions of the problem and how he intends to tackle it.

EFFECTS OF TAX INCREASES

	Revenue gain* (£bn)
1p rise in all income tax rates	2.4
10% cut in all allowances and limits	3.7
10% rise in excise duties	2.6
1 point rise in VAT	2.4
Total	11.1

*Achieved by 1994-95
Source: Autumn Statement

What will have to happen eventually? If the basic, lower and higher income tax rates were all raised by 2 pence in the pound, if all allowances and limits were reduced by 20 per cent, if the excise duties were raised by 20 per cent and if VAT were increased by 2 percentage points, then the chancellor would raise in a full year £22bn. This ignores, of course, all the adverse effects on demand and confidence from such a package, as well as the riot which would be likely on the backbenches.

One green paper idea is to *extend the tax base by abolishing* VAT zero rating, with higher social benefits to offset the regressive effect. Such a package could eventually yield £5bn a year. On top of this there could be revenue from taxing financial services and environmental measures such as the proposed carbon tax.

There is, of course, no reason why the savings required should all be obtained by tax increases. *The IFS authors do* discuss various spending curbs. Some proposals, such as using private finance for public capital projects, are dismissed as creative accounting "constructive only as far as the PSBR provides an inappropriate target".

If the burden on the public purse is to fall there would have to be a shift from tax finance to fees, which need not be confined to capital projects, and could, for instance, cover road use.

In the longer term a diminution of state pensions, relative to private provision, should yield large sums. Unfortunately the IFS public spending ideas are broad brush, while all the minute study is lavished on the tax side. Policy should be more even handed.

The government's target division of national expenditure is 45 per cent public versus 55 per cent private, which must be a rough guide to public *preferences* as revealed in the ballot box. Even this formula exaggerates the required rise in tax rates, because the tax-take automatically rises more than in proportion to the *national* income – "real fiscal drag" in the jargon.

There is, however, one intellectual difficulty that neither the IFS authors nor anyone else seems to have faced. Suppose the more pessimistic projections are realised for the few years immediately ahead? Then the green paper arithmetic suggests that much larger budgetary curbs – say of £50m – would be required to reach the Maastricht target.

Believers in the old-time religion would say this means we would then need even more tax increases and more public spending curbs. Traditional Keynesians would say that on the contrary we do not need them, as under conditions of depression high budget deficits are required as a stimulus.

May I suggest the following exercise to some economic *modeller (not for the busy* executive)? If in conditions of depression a higher budget deficit enables more output to be produced than otherwise, the *gains* from this increase have *to be set off* against the transfer costs to future generations of a higher inherited government debt burden.

For this exercise, monetary policy – however defined – must be assumed to be constant and only fiscal policy be allowed to vary. As no agreement is likely on whether fiscal policy can stimulate economy in the medium term, a sensitivity analysis needs to be *done showing how the costs* and benefits vary according to differing assumptions about its effects. Some degree of debt trap would be worth enduring for a real growth boost and it would be helpful to have some idea of what the trade-offs might be.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Holdings up after sales

From Sir Roy Watts.

Sir, In your report of share price movements under the heading "Highlights of the week" (January 23), the reason given for the fall in Thames Water's share price was directors' share option sales. You may like to know that while it is true that the directors exercised a large number of share options – and sold a total of 1.2m of those shares – the executive directors' total holding in Thames Water shares actually increased by an aggregate of 124,533. I myself converted all my options to new shares in the company.

Roy Watts,
chairman,
Thames Water,
14 Cavendish Place,
London W1M 9DJ

Post Office can only deliver publicly

From Mr Alan Johnson.

Sir, If the UK Post Office is to remain the most efficient in Europe and justify the limited monopoly that enables it to provide a universal and affordable service, then it can only do so in the public sector.

The new Post Office chairman, Mike Heron, presents ("Public spirit, private vision", January 26) 1980s options for a business moving to the year 2000. To present a choice between public sector stagnation and private sector innovation is simplistic and deflects from the true issues.

We have argued that the Post Office should be free of unfair restrictions and allowed *to expand quality* and range of services. However, we also recognise that in order to meet a variety of obligations, including many loss-making deliveries, it must remain a unitary business in the public sector. What private company would deliver a letter to the Isle of Skye for 18p?

Post Office privatisation will prove a disaster of British Rail proportions, equally difficult to achieve and politically unpopular. The customer, particularly in rural areas, stands to lose a vital resource.

Mike Heron inherits the best postal service in the world. A predecessor, Sir Ron Dearing, did a great deal to help the workers in the industry achieve this success. His position was clear. In a letter to staff in 1987 he stated that "it is as a single unified corporation that the Post Office can best provide the vital communications and financial service that this country needs – efficiently and universally".

Alan Johnson,
general secretary designate,
Union of Communication Workers,
UCW House, Crescent Lane,
London SW4 9RN

High cost of compliance

From Mr David Lowe.

Sir, Another blow to the ideal of playing cricket on level European playing fields.

The announcement by Mr Raniero Vanni d'Archirafi, the EC's new internal market commissioner ("Brussels truce for breach of EC single market rules", January 22), that the Commission will go softly-softly on enforcing single market directives once again has the law makers playing into the hands of the law breakers.

We all know that complying with the rules costs money, so those of us who take steps to comply are immediately placed at a competitive disadvantage against those who don't.

How many more UK jobs will be lost as a consequence of our efforts to be good Europeans, while others appear to continue to "do their own thing"?

David Lowe,
1 Ostlers View,
Billingshurst,
West Sussex RH14 9LU

Independence exercised

From Mr M Ngali.

Sir, I agree with the conclusion of the Commonwealth report as carried in Michael Holman's article entitled "Kenya poll overseer was removed from bench" (January 25), that there is no information or evidence to suggest that Mr Chesoni and other electoral commission members were associated with or taking directions from Kenya's ruling party. The commission exercised its due independence during the just concluded elections.

M Ngali,
acting high commissioner,
Kenya High Commission,
45 Portland Place,
London W1N 4AS

Confusion can be avoided in contracting out

From Mr Tom Flanagan.

Sir, The debate about the protection of employee rights in contracting out public services, including your article, "Lyell rejects ruling on EC jobs law" (January 22), is in danger of becoming too academic. There is confusion about the extent to which contractors must take the Transfer of Undertakings Regulations into account, but this is not the only area of law in which one can state principles fairly clearly but be unable to predict accurately every outcome.

The case of Rask v ISS Kantineservice A/S has highlighted that the regulations could apply to contracting out and it reiterated criteria which could be used to help identify whether an entity is being transferred. This does not mean that the regulations will apply in all cases of contracting out. Rather than complain that that creates uncertainty or threaten in advance to litigate, those involved with contracting out could take into account what can be gleaned from the legal position.

For instance, tender documents could refer to the criteria set out in Rask and give a view on each of them and on the application of the regulations generally. Consideration can be given to indemnities and to consultation, including with the unions, in advance of the *final* draft.

There need not be the sense of confusion surrounding this subject, if the parties address the issues fully in advance.

Tom Flanagan,
partner, head of employment group,
Booth & Co, solicitors,
Sovereign House,
South Parade, Leeds LS1 1HQ

Status quo is no way to free Britain from years of decline

From Mr Keith Sykes.

Sir, The case put forward by Sir Bryan Hopkin and Sir Douglas Wass (Personal View, January 22) for the continued dependence of the Bank of England on the Treasury was erudite, eloquent and exhaustive. It was also, to an industrialist, utterly unhelpful.

I read and re-read it for some glimpse of what these index-pensioned knights think that we *could* do to free ourselves from 40 years of decline in which they, if they have truly earned their spurs, have surely played some part.

No such luck. Status quo is the answer. Dismiss what other countries might have done successfully. Wisdom resides uniquely in Whitehall and Westminster. In contrast, we in industry are not measured by eloquence of speech nor erudition in writing but on attainment of quantified and timed objectives. On that basis, they and their contemporaries might not have long survived.

Try this for size: "The nature and degree of the ... effects (of monetary policy) cannot be free from doubt and argument." Ergo, do nothing.

I am confronted daily by doubt and argument, but finally a decision is taken and its effects are measured. If it proves wrong over time (or is 40 years insufficient?), then it is rejected and replaced.

We cannot go on like this in our self-satisfied, ossified mentality. Perhaps the plan by Sir Terry Burns to expose some of his team to the rude realities of trade might be extended to encompass the meeting of German, French, American and Japanese businessmen who buy from us and sell to us.

They laugh at our naivety – not of those with whom they bargain hard, but of the world-ly-ignorant rulers responsible for the economic environment in which we struggle to exist.

Keith Sykes,
chairman,
Keith Ceramic Materials,
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Japan's G7 agenda

JAPAN'S swelling trade surplus, which is on course to return to mid-1980s proportions this year, will, regrettably, guarantee a tense run-up to July's summit meeting of the Group of Seven industrialised countries in Tokyo. The surplus continues to provide a red rag to the same US protectionist bulls responsible for yesterday's anti-dumping tariffs on steel imports. But the Japanese government can pre-empt these complaints. It is stagnant imports into Japan that are swelling the surplus; domestic stimulation is the best way to stem the tide.

Japan's export performance has, in fact, been rather disappointing recently. US not Japanese industry has better demonstrated how to soften the blow of a fall in domestic demand by shifting production abroad. US export volumes grew by 5.8 per cent in the year to the third quarter of last year while Japanese exports grew by just 1.2 per cent over the same period. But US import volumes rose by 9.2 per cent while Japanese imports fell by 4.4 per cent.

These trends are likely to continue over the coming year. An accelerating US recovery, alongside a sluggish world economy, will mean a rising US trade deficit. Meanwhile, yesterday's news confirms that the slump in Japanese consumer confidence and spending is deepening. Department store sales fell by 3 per cent in 1992 and 5.7 per cent in December, compared with a year earlier.

Naturally, Japan's bureaucrats are nervous about stoking up the economy merely to stave off international trade pressures. Excessively low interest rates in the late 1980s were to blame for the subsequent inflation. But domestic considerations now demand a looser policy stance. Bank lending remains sluggish, industrial output fell last month by 8.2 per cent on the previous year and the high level of unsold inventories shows no sign of falling. A recovery in private domestic demand is many months away, despite the official view that recovery is imminent.

A further, and sizeable, cut in the official discount rate is long overdue. But there is little chance that interest rate cuts alone will persuade Japanese industry to start investing; and debt-burdened banks will not be able to start lending again for years. The priority for the Bank of Japan must be to tackle these bad debts directly, before profit-taking pushes the stock market down further.

For rapid results, Japan needs a fast, and easily reversible, fiscal stimulation. Reversibility argues for public spending over tax cuts; speed is best achieved by accelerating planned public works spending into the first half of the year so that the coming financial year's austere budget can be bolstered by a supplementary budget announced at July's G7 summit. Rather than pandering to the protectionist lobby, President Bill Clinton could then present a US budget deficit-reducing package as a mutually beneficial G7 deal.

Needlessly bust

WITH THE number of business failures showing no sign of abating, the suspicion is growing that Britain's recently revised insolvency laws are still dangerously deficient. Potentially sound businesses are, it is claimed, being needlessly broken up. Insolvency fees appear sky-high. And the new procedure of administration, intended by the 1986 Insolvency Act to give potential survivors a breathing space, has, on one estimate, been used in less than one per cent of insolvency cases.

The clearest evidence of a bias against resuscitation lies in the preferential treatment accorded to the Inland Revenue and the Customs and Excise. Whereas unsecured creditors have a continuing interest in keeping a company afloat, government departments know that as preferential creditors they can usually extract their money quickly in an insolvency. Voluntary arrangements with creditors designed to permit companies to trade their way out of trouble are thus frequently blocked.

Insolvency can also appear unduly tempting for the banks where they have the benefit of security. Certainly the infrequent resort to administration reflects their predilection for receivership. Not that bankers are exclusively to blame. Administration orders are expensive, difficult to obtain and risky for directors whose conduct may be investigated by the administrator.

It does not help that insolvency practitioners themselves can be involved in potential conflicts of interest. There have been too many cases of investigating accountants subsequently conducting lucrative receiverships after pronouncing borderline companies beyond hope. Creditors' committees have not found it easy to prevent insolvency practitioners stringing out receiverships, thereby swelling fees. A more flexible and less expensive sanction than seeking redress from the court is called for.

In trying to promote the practice of intensive care, there is clearly a balance to be struck. The problem with a lenient approach like the US Chapter 11 bankruptcy procedure, which leaves directors in charge, is that companies can rack up inordinate losses at the creditors' expense for too long. This can threaten the viability of a whole industry, as in the case of the US airlines. Yet as Coopers & Lybrand has recently argued, there are plenty of ways in which Britain could avoid that risk. It suggests, inter alia, encouraging company voluntary arrangements by introducing a stay on creditors' remedies while rescues are put together; and making administration orders easier to obtain and more attractive to directors.

With unemployment soaring and business failures running at an estimated 80,000 or so a year, insolvency reform is no longer wholly devoid of political sex appeal. The president of the Board of Trade, Mr Michael Heseltine, should give it higher priority on his agenda.

New Mercedes

AFTER TWO years of post-unity boom, the German motor industry is imbibing a high-octane dose of reality. Since the German economic downturn became evident last summer, the main German producers have been accelerating announcements of labour and output cuts. Volkswagen's new chairman estimates production costs exceed Japanese manufacturers' by 30 per cent. VW has yet to deliver a proper response. By contrast, Mercedes-Benz has unveiled a strategy to meet what may be the most wide-ranging challenges in the company's history.

The motor subsidiary of Daimler-Benz is putting forward a plan with consequences and implications for the whole of German industry. It is broadening its product range, moving into the city car and "multi-purpose vehicle" segments, pruning management, transferring assembly to Spain, South Korea and Mexico, and searching for international partners, especially in components.

Mercedes' problems partly mirror those of German manufacturing in general. High labour charges, relatively short working hours and the rise in the D-Mark will lead to a deterioration in the company's costs of 15 to 20 per cent this year *vis-à-vis* several European countries. Competitive disadvantage is doubly hurtful during recession; German car sales may fall 15 per cent in 1993.

Mercedes has to tackle weak points embedded in the company's culture. It is paying the price for failure to heed shifting international patterns of supply and demand. Japanese luxury car makers have undermined its presence in the US. Customers are turning away from status symbols in search of vehicles offering greater practicality and value for money. Preoccupation with quality is laudable, but the "Mercedes-knows-best" mentality has sometimes insulated the company from the marketplace.

Recognising this, Mr Helmut Werner, Mercedes' chief executive-designate, has condemned the company's tendency to "over-engineer" products. Following a line taken by Chrysler in the US, Mercedes wants to move to "target pricing". Its engineers will no longer be driven by dreams of creating the "ultimate" car – but by what customers want to pay.

Mercedes' step down from *hauteur* into a wider market is not risk-free. It must cut costs, but not technical excellence. It must shed staff when Germany's traditional consensus with labour has grown brittle. Daimler's motor operations must achieve a virtual corporate revolution at a time when the company's overall diversification strategy faces difficulties.

Backed by its dominant shareholder, the Deutsche Bank, Daimler-Benz undoubtedly has the long-term financial muscle to see the changes through. If the plan succeeds, Mercedes could offer a blueprint of how Germany's top companies will look after the year 2000. Mercedes will be leaner, fitter, more flexible and customer-orientated. And its manufacturing will be a lot less concentrated in Germany.

Italy's largest private sector company is counting on a new range of cars to regain momentum, writes **Haig Simonian**

Fiat searches for a model solution

Mr Giovanni Agnelli, chairman of Fiat, Italy's biggest private sector company and one of the world's largest automotive groups, will today reveal the financial health of the group in his annual letter to shareholders.

In contrast with previous years, when the letter has contained mostly good news, this year is different. The document comes at a testing time for Fiat, which is controlled by the Agnelli family, and for its 71-year-old chairman who will hand over to his younger brother, Umberto, in June 1994. The handover will come while many of the challenges facing Fiat, founded 93 years ago by Mr Agnelli's grandfather, remain unresolved.

Today's letter will make sombre reading. Many industry observers expect preliminary 1992 results to indicate a small loss at the group's main Fiat Auto cars subsidiary, which accounts for almost half its L60,000bn (£26bn) annual turnover. The car business includes Lancia, Alfa Romeo, Ferrari and Innocenti.

Problems with other sectors, notably its Iveco commercial vehicle subsidiary – in loss for the past two years – and with its tractors and earth-moving equipment operations, remain pressing.

Group earnings have been falling steadily since their peak in the late 1980s. In spite of big one-off gains from the sale of non-core subsidiaries, net profits after minority interests in 1991 declined by more than 30 per cent to L1,114bn from L1,613bn in 1990 – itself a sharp fall from the L3,306bn made in 1989.

While many leading car makers are experiencing hardship because of the economic downturn, Fiat's problems run deeper than most. Its dominance of Italy's private sector makes the question of whether it can resolve its difficulties a matter of national importance.

The state of Fiat's financial health affects more than the Agnelli family, which still owns almost 40 per cent of the company. Fiat and its subsidiaries account for about 11.4 per cent of the capitalisation of the Milan stock exchange, while the group's 300,000-strong workforce makes it one of the biggest employers in Italy.

The group's problems are concentrated on the car side. In 1988 and 1989 it was challenging Germany's Volkswagen group for leadership of the west European new car market. But by last year Fiat had fallen to fourth place behind VW, General Motors and Peugeot. In 1992 Fiat sold an estimated 1,605,000 cars, 7.4 per cent fewer than in 1991. By contrast, VW, GM, Peugeot and Renault all increased their sales.

The impact has been greatest in the domestic market, once Fiat's uncontested domain, where foreign competition has undermined its earlier dominance. The main cause of its difficulties is an ageing model range. Although the small Uno hatchback, launched in 1983, has hung on to its position as the best-selling car in Italy, demand has been dented by newcomers such as Ford's Fiesta, Renault's Clio and the Peugeot 106.

Other Fiat models, such as the facelifted big Croma saloon, now more than seven years old, and Lancia's flagship Thema model, which dates from late 1984, are also showing their age. "The group virtually missed an entire generation of new cars," says Mr John Longhurst, European motor analyst at James Capel, the London stockbroker.

Even more recent models, such as the mid-sized Tipo hatchback, have proved disappointing. The Tempra saloon, closely related to the Tipo and introduced in 1991, has done much less well than expected, while recent models from Lancia and Alfa Romeo have also turned in average performances.

Fiat's share of its home market has shrunk to 44.3 per cent from a peak of about 60 per cent in 1988. In an effort to arrest its decline and regain market share Fiat has sliced profit margins with cut-price financing deals and generous trade-ins.

The problem of the group's car business will be exacerbated by the expected downturn in domestic demand this year. After Italian car sales reached a peak last year, the market, Europe's second-biggest after Germany, looks set to falter as recession bites. Sales in November fell by 11 per cent – the first double-digit percentage point drop for years – while December sales were 6 per cent down on the previous year.

Meanwhile, foreign manufacturers have mounted an unrelenting attack. Ford's Fiesta now vies with the Fiat Panda as the second-best-selling car in Italy. VW and GM have also benefited at Fiat's expense – sales of the Volkswagen marque rose by almost 21 per cent last year, while GM's Opel soared by almost 34 per cent.

Now Fiat faces an additional challenge from Japanese production in Europe mainly by Nissan, Toyota and Honda in the UK. Although imports of Japanese-built cars to Italy are restricted by a long-standing bilateral agreement, the new EC-produced models are not subject to such curbs.

Nissan's sales, founded on its UK-made Primera, leapt by nearly 51 per cent to more than 26,000 in 1992, albeit from a relatively small base. Late last year, the company started selling in Italy its Sunderland-built Micra small car, a model aimed straight at the heart of Fiat's main market. Before long, UK-made Toyotas and Hondas will be following Nissan.

Fiat's answer has been a huge investment drive to update its range. The group has earmarked L40,000bn in spending between 1992 and 1999 to renew its models and build factories. Within the next six years it plans to unveil 18 new models (a figure which includes the Cinquecento minicar and Alfa 155 saloon brought out last year).

No model will be more important to the fate of the car business than the "model B", which will replace the Uno. Scheduled to be unveiled at September's Frankfurt motor show and to go on sale later this year, it will be a crucial factor in improving the group's fortunes, with output of 600,000 units from three plants a year.

The first cars will start rolling off the assembly line at Fiat's big greenfield facility at Melfi in southern Italy in the second half of the year. The factory, which will turn out 450,000 cars a year at full capacity in late 1994, is aimed at matching the productivity of its rivals. Also in the south, at Pratola Serra, Fiat is building an engine works which will produce 3,600 engines a day for Melfi and other facilities.

Though the factories will be highly robotised, they will avoid the occasional over-reliance on automation seen at Fiat's showcase Cassino plant in the 1970s and 1980s. The investments have been accompanied by the closure or restructuring of smaller or less efficient facilities such as the Desio and Chivasso works in northern Italy.

Finally, the group is also looking to new markets to reduce its dependence on Italy and provide growth which is no longer obtainable in its main west European markets. Crucially, it still has to crack its perennial problems in the UK, where it captures barely 2 per cent of the market.

Outside western Europe, it bought 90 per cent of FSM, Poland's biggest car producer, last year, with which it has had a long-standing relationship. FSM is the sole source for the Cinquecento and may, in time, produce other new Fiat models. The company has also tried to take a stake in Russia's VAZ cars group – whose models are derived from old Fiat products – though the deal is stalled because of Russia's political uncertainties.

The need for huge investment in plants, models and foreign ventures, combined with customer incentives to regain market share has bitten deeply into Fiat's cash reserves. The group has been forced to raise its borrowings while turning increasingly to asset sales to generate one-off profits to tide it over until new models are in the showrooms.

Today's results are expected to show that the group's net financial position has deteriorated to a deficit of over L3,500bn – more than L1,000bn up on the L2,510bn reported in the 1992 mid-year accounts and the L270bn at the end of 1991.

The pressure on Fiat's financial resources has taken its toll on its credit rating. Earlier this month, *Moody's Investors Service*, the US credit rating agency, downgraded the rating on the short-term debt of some Fiat subsidiaries from Prime-1 to Prime-2.

Fiat's short-term answer has been asset sales. In 1991, it made an estimated L500bn through selling its Telettra telecommunications subsidiary to Alcatel Alsthom, the French engineering and telecoms group. Last year's group profits will be boosted by a further extraordinary gain of about L700bn from the sale of its 25 per cent stake in the Italian company formed from the merger of Telettra and Alcatel's Italian operation.

Brokers are now openly discussing what Fiat will sell next. Mr Giovanni Agnelli himself raised the pitch late last year when he said the Rinascente retailing business, Toro insurance and Cogefar-Impresit building and civil engineering arms were "not strategic".

Each is substantial. Rinascente, best known for its department stores, is Italy's biggest retailer, with net profits of L101bn on sales of L4,595bn in 1991. Toro, a leading Italian insurer, made net profits of L134bn on premiums of L2,083bn in 1991. Cogefar Impresit is Italy biggest construction group, with net profits of L31bn on sales of L1,698bn in 1991.

All three could prove appealing to domestic rivals wanting to gain market share or to foreigners seeking to break into the Italian market. Although Cogefar Impresit has been hurt by the downturn in the Italian construction sector and the country's growing scandal over kickbacks to political parties and speculative buying on the hope of takeovers has pushed up shares of all three companies.

But will asset sales be enough to staunch Fiat's cash haemorrhage? Two important and unexpected factors have worked in its favour in recent months. The lira's devaluation last September and subsequent exit from the European exchange rate mechanism means Italian exports are now about 20 per cent cheaper against the D-Mark and most of the currencies of Italy's main industrial European rivals.

The devaluation "has put the clock back to 1987", says one senior Fiat executive. The 20 per cent drop compensates for four years during which Italy's competitiveness declined by an annual 4 to 5 per cent against its main trading rivals, he says. With inflation running at an annual rate about 5 per cent higher than that of France and Germany, Italian goods were becoming steadily less attractive abroad.

The lower value of the lira is likely to force importers to raise their prices in Italy, although few have done so yet. Higher prices from competitors will allow Fiat to increase margins at home by eliminating expensive customer incentives. "We now believe we can keep our market share without being blooded in terms of margins," says the executive.

The cheaper lira will also enable Fiat to cut prices abroad, potentially allowing it to sell more cars. Or it could maintain existing prices but improve its profits thanks to the cheaper lira. The signs are that it will choose the latter course. "We don't think a price cut will let us gain market share in such difficult conditions," the executive says. "We are not there to start a price war."

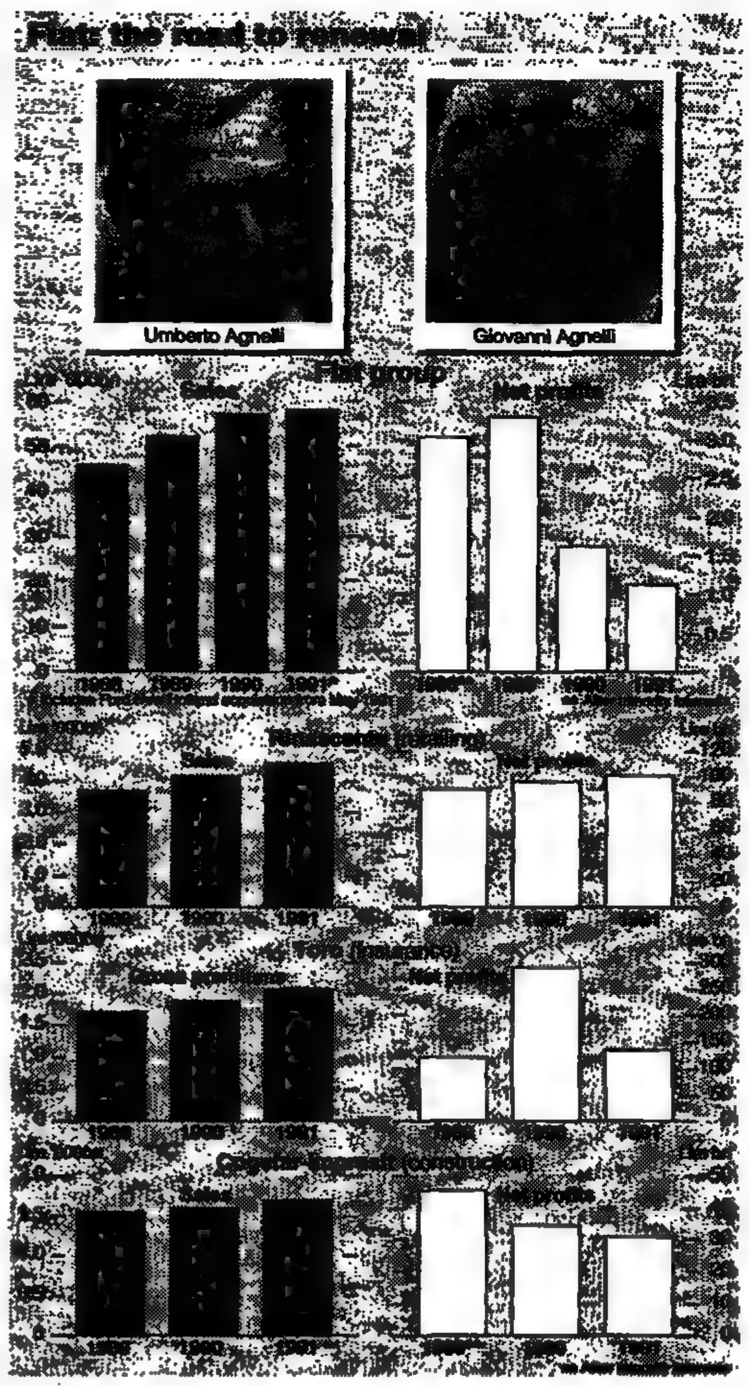
Fiat's second piece of good fortune came with last July's agreement between employers and trade unions to abolish the *scala mobile* wage indexation system. The agreement should help to limit the high domestic labour costs which employers have cited as one of their biggest competitive disadvantages. The agreement was "a victory", according to the Fiat executive, "but only one which has brought us back to previous competitive levels".

The two developments may have taken some of the pressure off the Fiat group, especially on the cars side. But the benefits will take time to come through. Much will still depend on selling assets, especially if the car market deteriorates further and pushes Fiat's auto operations deeper into the red. The Fiat executive does not exclude such sales, but stresses that no negotiations are currently under way for any of the retailing, construction or insurance subsidiaries. In any event, Fiat will not undertake a "fire sale", he stresses.

He also dismisses persistent reports in the Italian press of the sale of a stake in Fiat itself to a leading Japanese car maker – the most often mentioned contender being Toyota. "I've got fed up denying it and treat it now as a joke," he says.

Ultimately, it is on the success of its new models that Fiat's fate depends. Pending the introduction of the Uno replacement, this year's outlook for the group remains "dismal", according to one industry observer. Demand for cars is expected to become more depressed, especially in Italy, while competition will probably intensify.

Fiat will continue to be affected this year by the lack of appealing new models while one-off financial costs stemming from plant closures and the possibility of related labour disruption in the face of continuing job cuts and short-time working may worsen. Even assuming the models restore Fiat's status in the west European market and its fortunes at home, the group faces at least two more taxing years.



OBSERVER

Stone cold in the market

■ It's not only bridge players whose hearts leap at the prospect of not one, but two grand slams in diamonds. The De Beers' marketing department must have been likewise stirred by two unrivalled chances to promote their rocks both in and beyond the globe's premier selling places: Japan and America.

Firstly – and perhaps not unconnected with the worldwide televising of President Clinton's inaugural celebrations – Hillary Clinton was persuaded to attend wearing a 4¼-carat diamond in a ring specially designed for the occasion. The stone found in Arkansas' Crater of Diamonds park in 1977, was loaned to Clinton by no less than Stan Kahn of Kahn's Jewelry in Pine Bluff.

Alas, the watching millions caught not a glimpse of the glitter. In line with convention, the presidential spouse kept her gloves on throughout the ceremony.

Still, although thus cutting no ice at the US inauguration, the marketeers had Japan to keep their hopes alive. Just think of the promotional potential in the diamond engagement ring which the Japanese jewellery trade is certain Crown Prince Naruhito has given his bride-to-be.

Boom – convention strikes again. Protocol forbids the disclosure of any sales-boosting information about the ring. Too many Japanese would be dismayed were their royal family to be associated with a commercial exercise.

Worse, even informally, none of us is ever likely to cast an eye on the new Empress's diamonds. In Japan, engagement rings are not for wearing, but for locking away in a safe deposit.

Exotic

■ Besides proving a nice little earner for some of the business chiefs who went along, the UK premier's tour of India has convinced just-returned CBI boss Howard Davies that the ways of the east are strange indeed.

For instance, he reports, the business tourists had a meeting in New Delhi with eight of India's top civil servants on opening up the market to overseas trade.

What's strange about that? Try getting eight British permanent secretaries to a meeting in London on a Sunday afternoon, he says.

Home to roost

■ Full marks to the environment department for trying to find a silver lining in the cloud of the latest stats on house re-possessions. The official interpretation was that the figures were welcome, re-possessions having fallen 42 per cent since their peak.

'It's the number of times I've been on television'

The claim rebounded, however, when housing professionals noted that even the most optimistic gloss that can be put on the data is that re-possessions in the second half of 1992 were 19 per cent below the all-time record hit in the last six months of 1991.

Hence red faces at the department. It appears that the vaunted 42 per cent drop relates to possession orders made by the courts. Yet, as the Lord Chancellor's staff pointed out on publishing the court statistics: "The figures do NOT indicate how many houses have been re-possessed..."

For the record, last year's figures were the second highest ever, 10 times higher than a decade ago. Households with payments over six months in arrears also increased by 28 per cent to a record of over a third of a million.

Whatever became of the action to stop most of the re-possessions, which the prime minister promised on Desert Island Discs last year?

Snuffed out

■ If Nalgo, the white-collar local government union which backed yesterday's successful compensation claim for damages resulting from passive smoking, really wants to send a warning shot across the bows of all employers who ignore the risks of smoking to non-smokers, perhaps it should start by imposing a no-smoking policy at its own London headquarters.

Traveller's tale

■ Is Observer alone in thinking Tony Pidgley, boss of highly-rated Berkeley housebuilding group, sounds too good to be true?

Last night's BBC Radio 4 programme – Counting the Cost – gave a fascinating insight into the Bentley Turbo driver's humble background. Now 45, he was a Barnardo boy until the age of four, and was then adopted by gypsies, lived in a railway carriage, and was only 10 when he did his first deal. He bought a sow and profited on the piglets.

His gypsy family never bought anti-freeze for its fleet of lorries. Instead, young Pidgley was given the job of draining the radiators last thing at night and refilling them first thing in the morning.

He owes a key lesson – "careless talk costs money" – to his gypsy horse-dealing Uncle Vic, who Pidgley still thinks knows more about real economic events than the chancellor of the exchequer, who seems keen to court him as one of that rarest of British species: a successful housebuilder.

Another of his admirers is NatWest Securities' Angus Phaure, one of the City's top building analysts. He says Pidgley knows more about making money "than anybody in this bank", and describes his grasp of the UK housebuilding business as "breath-taking".

That perhaps accounts for a further recruit to the Pidgley fan club – George Soros, whose name has just appeared on the Berkeley share register.

Contact!

■ So now we know why fighter-ace Biggles flew a Camel and his rival Wilks an SE5, rather than the other way round.

To mark the centenary of Biggles's creator, Captain W E Johns, Radio 4 linked the fictional hero with his alleged real-life model – Lawrence of Arabia.

FINANCIAL TIMES
Thursday January 28 1993

Sterling falls against D-Mark and dollar, triggering new tensions in ERM

Ireland lifts rate to defend punt

By James Blitz in London and Tim Coone in Dublin

STERLING came under renewed *selling* pressure yesterday after Tuesday's cut in UK interest rates.

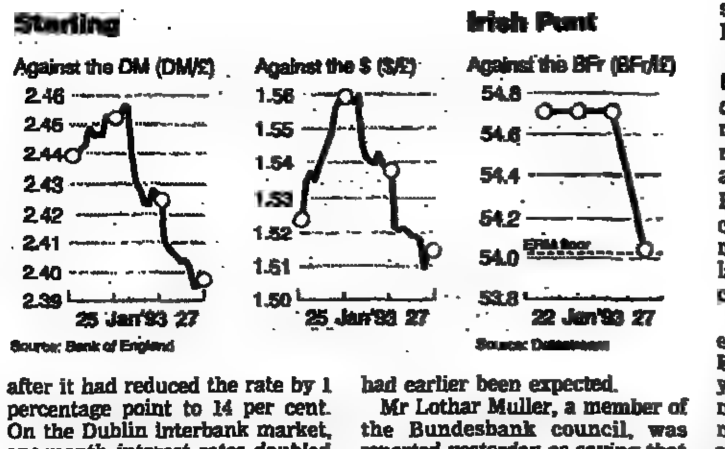
The pound closed in London at DM2.3975, down nearly 3 pfennigs on the day, and more than 11 pfennigs below the level at which it was trading three weeks ago. Against the dollar, it closed down nearly 2¼ cents at $1.5380.

The UK base rate cut from 7 per cent to 6 per cent and sterling's subsequent fall triggered new tensions in the European exchange rate mechanism, pushing the punt below its floor against two ERM currencies.

There was a strong belief in the foreign exchange market that sterling's fall had left the punt heavily overvalued against the pound, undermining Ireland's trading position with the UK.

Ireland's central bank once again responded to the specula*tive attack on its currency by* raising its overnight lending rate to 100 per cent, just two days after it had reduced the rate by 1 percentage point to 14 per cent. On the Dublin interbank market, one-month interest rates doubled to around 35 per cent.

However, the moves failed to lift the punt above its floors against the guilder and the Belgian franc *after official ERM* trading closed at 4pm in London. The values of both the pound and the Irish punt were undermined by a growing perception in finan*cial markets that the Bundes*bank may ease its short-term interest rates more slowly than had earlier been expected.



Source: Bank of England
Source: Datastream

Mr Lothar Muller, a member of the Bundesbank council, was reported yesterday as saying that conditions were not right for another cut in German interest rates, even if the government's solidarity pact was approved quickly.

Uncertainty over the direction of German rates also undermined the lira which fell sharply against the D-Mark from L919.75 *to L933. The French franc, which* had been a target of speculation earlier in the year, slipped only slightly against the D-Mark to FFr3.383.

The Irish government said yesterday it was determined to *defend the punt. However, the* renewed pressure on the currency after more than a week of an easing of tensions within the ERM is rapidly eroding the political consensus that the government had succeeded in creating last September in defending the currency.

Mr John Dunne, director general of the Irish Business and Employers Confederation, said yesterday: "There is an urgent need to retore the competitiveness of the Irish economy". He said the government should either re-assess its exchange rate policy or carry out "a fundamental review of the cost structure of the Irish economy". He said the government's new exchange rate guarantee fund was "a help but it is not adequate".

Tough German line, Page 2
UK gilts auction, Page 17
Currencies, Page 36
Irish shares, back page Section II

Krajina Serbs demand Croat pull-out

Laura Silber in Belgrade

SERBS in Krajina, the disputed Serb enclave in Croatia, yesterday demanded that Croat forces withdraw within 24 hours from *territory seized during their six*-day offensive.

The ultimatum was issued as the fighting took a new twist, with Serb forces launching a *counter-offensive. They claimed* to have seized strategic villages around the Maslenica bridge, which joins central Croatia with its southern Adriatic coast and *which was the initial objective of* the Croatian forces.

In addition, the UN Protection Force disclosed last night that 21 of its number had been detained by the Serb rebels since Sunday in a hotel in Benkovac, a Krajina town which has come under fire from Croatian troops.

Ms Shannon Boyd, a UN official, *said in the Croatian capital* Zagreb: "The Serb militias say the UN police have been restricted for their own security. But this is totally unacceptable. *There is no legitimate reason for* this."

Separately, General Satish Nambiar, the commander of UN forces in former Yugoslavia, yes*terday met Serb leaders in Knin*, the capital of the Serb enclave. According to Mr Boro Martinovic, a minister in the self-styled Krajina government, "We told him *the Croats must withdraw* beyond the ceasefire line by noon on Wednesday. If not, we will have no choice but to clean the terrain by ourselves."

After the Security Council condemnation of the offensive across UN lines, president Franjo Tudjman on Tuesday said he would order the withdrawal of Croat *forces only if the Serb militia* returned their heavy weapons to UN control.

But hopes of a ceasefire yesterday faded amid the Serbian *counter-offensive*.

In Geneva, where Lord Owen and Mr Cyrus Vance are co-chairing peace talks on the conflict in Bosnia-Hercegovina, Mr Alija *Izetbegovic, the Moslem presi*dent of Bosnia, yesterday threatened to abandon the negotiations. He cited continued Serbian attacks on Moslems as the reason for the threat.

Mr Izetbegovic and Mr Mate Boban, Bosnia's Croat leader, announced a cessation of hostilities between Croat and Moslem troops in Bosnia, and vowed to resurrect their alliance against the Serbs. But the International Red Cross said intensified clashes between Croats and mainly Mos*lem Bosnian forces around Buso*vaca, central Bosnia, have blocked the main humanitarian aid routes into Bosnia.

The upsurge in fighting *between the two groups appears* to reflect last-minute attempts to grab land before the Geneva conference begins to discuss the division of Bosnia into 10 provinces.

Virginia Marsh in Bucharest writes: Romania yesterday said it would not use force against four Serbian ships travelling on the Danube towards Belgrade despite *US calls on Romania and Bul*garia to prevent the vessels from breaking UN sanctions.

The Romanian foreign ministry said it feared that the use of force against the ships, believed to be carrying more than 40,000 tonnes of oil, could lead to an "ecological disaster".

Pretoria deal on power-sharing closer

By Patti Waldmeir in Johannesburg

THE South African government and the African National Congress appear to have moved substantially closer to agreement on how power will be shared between whites and blacks after apartheid, following five days of bilateral negotiations.

The talks have raised hopes that an elected government of national unity could be installed next year. But a number of obstacles must be overcome, including agreement on the decision-making process in the new government.

Negotiators, who met until Tuesday night, drew up proposals for a power-sharing "government of national unity" to remain in place until roughly the end of the century, but calling on the government to drop its insistence that compulsory power-sharing should be written into a permanent constitution.

Leaders from the two sides, including the South African cabinet and the ANC's policymaking national executive, must now endorse the proposals. They must then go before a multi-party negotiating forum, including parties such as the ANC's main rival, the Inkatha Freedom party, and representatives of black homelands and the white right. Government negotiators met Inkatha representatives yesterday, and agreed to meet again next month.

But Mr Joe Slovo, one of the ANC's chief negotiators, made clear that no smaller parties would be allowed to prevent a final agreement. "It is clear we dearly want Inkatha to come into the process," he said, "but we cannot allow it to have a veto over whether the process goes forward or not."

If agreed, the government of national unity would be elected some time next year, would draw up a new constitution, and then would remain in office for a further four to five years under the new constitution.

Disagreement remains likely over how this government would take decisions. The negotiators have proposed that some decisions be taken by consensus – implying that the white-dominated National party would have an effective veto – but the two sides have *yet to* discuss which decisions would require consensus.

The negotiators appear to have moved toward agreement on the structure of an elected constitution-making body. Their proposals call for a one-chamber body instead of the government's proposed bicameral assembly, but with special powers for members elected on a regional list.

They have also moved closer to agreement on how the powers of regional and local governments would be determined. The government had previously insisted that such powers be agreed now, but a delay is proposed until a constituent assembly is convened.

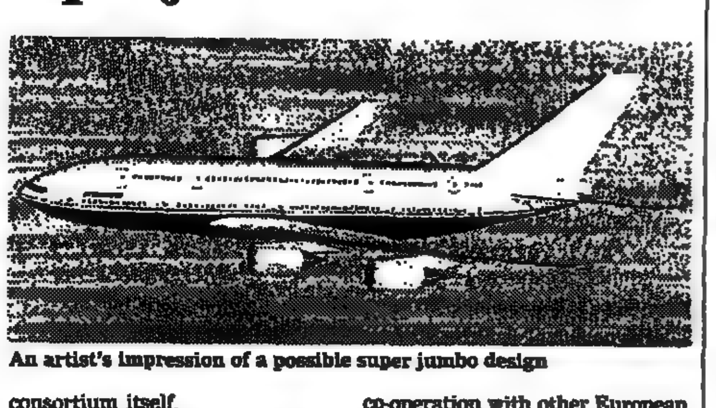
The two sides also appear close to agreement on a procedure for replacing the board of governors of the South African Broadcasting Corporation, long a biased tool of the state, with more independent people. The ANC and government are due to meet to finalise the proposals next month.

Super jumbo project to be studied

Continued from Page 1

business for Boeing which traditionally has tended to adopt a do-it-alone attitude to all its aircraft-building projects.

But there is still widespread suspicion in the European camp that Boeing is seeking to pre-empt Airbus's own plans to develop a super jumbo which would make further inroads into the dominance Boeing exerts in the large aircraft market with its 747 jumbo.


An artist's impression of a possible super jumbo design

Airbus itself is not part of the study. One reason widely suggested for excluding Airbus as an entity was to avoid any eventual US anti-trust objections since Airbus is now the world's second-biggest airliner manufacturer after Boeing.

Another reason put forward by aerospace industry analysts is that Boeing is likely to want to retain leadership of any super jumbo project and believes this would be easier to achieve by collaborating with the individual Airbus partners rather than with the European consortium itself.

Despite yesterday's agreement, both Airbus and Boeing will pursue their own large aircraft studies. Mr Hayhurst said Boeing was still studying a stretched version of the 747 while Mr Jean Pierson, Airbus chief executive, said the European group was still seeking co-operation with other international partners to develop a super jumbo if the tie-up between Boeing and its partners failed.

If joint development with Boeing did not work out, there were other alternatives including co-operation with other European and Asian partners, Mr Pierson said during a visit in Japan.

Mr Pierson has been discussing co-operation with Kawasaki Heavy Industries, Mitsubishi Heavy industries and Fuji Heavy Industries, all three of them traditional Boeing industrial partners.

Neither Boeing nor Airbus is in any hurry to launch a costly new research or construction programme at a time when the industry is in recession and both groups have been forced to make deep production cuts.

Fed signals its recovery aim

Continued from Page 1

omy being weakened by too ambitious a package of cuts. If long-term interest rates were to fall, "hard-wired" actions affecting specific spending and revenue totals would be needed.

He also doggedly reiterated his conviction that low inflation was a "precondition" for sustainable growth. "We do not want to get into the stop-go type of instabilities" that had characterised previous business cycles.

He said he believed that Mr Clinton and other leading members of the administration recognised the importance of preventing another "flare-up of inflationary pressures".

Pressed to explain why he had allowed M2, the broad measure of the money supply to fall below its target range last year, Mr Greenspan said historical relationships between monetary *growth and spending had broken* down. This was because an unusual portion of spending was now financed by credit granted outside the banking system.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	Dr	7	45	Frankfurt	F	4	39	Majorca	S	16	61	Oporto	S	12	54	Tenerife	F	19	66
				Brussels	C	6	43	Geneva	F	2	36	Malaga	S	17	63	Oslo	S	-5	23	Tokyo	F	11	52
				Budapest	C	1	34	Gibraltar	S	16	61	Malta	F	15	59	Paris	R	10	50	Toronto †	F	-1	30
Ajaccio	C	11	52	Buenos Aires	F	30	86	Glasgow	R	2	36	Manila	C	29	84	Prague	F	-2	28	Tunis	F	14	57
Algiers	S	16	61	Cairo	S	19	66	Helsinki	S	-10	14	Melbourne	R	22	72	Reykjavik	F	0	32	Valencia	S	14	57
Amsterdam	C	6	43	Cape Town		–	–	Hong Kong	S	17	63	Mexico City	C	21	70	Rhodes	F	15	59	Venice	S	5	41
Athens	F	12	54	Caracas	C	26	79	Innsbruck	R	5	41	Miami †	C	15	59	Rio de Janeiro	F	39	102	Vienna	Sn	2	36
Bahrain	S	17	63	Casablanca †	S	16	61	Inverness	F	3	37	Milan	S	11	52	Rome	F	9	48	Warsaw	C	-2	28
Bangkok	F	29	84	Chicago †	S	-3	27	Islamabad	F	30	23	Montreal †	C	-3	27	Salzburg	Sl	3	37	Washington †	S	-3	27
Barcelona	S	11	52	Cologne	C	5	41	Istanbul	S	7	45	Moscow	Sn	-5	23	S'Francisco †	S	9	48	Zurich	C	3	37
Beijing	S	-1	30	Copenhagen	C	1	34	Jakarta	R	30	86	Munich	C	2	36	Seoul	S	-3	27	Temperatures at midday yesterday			
Beirut	F	17	63	Corfu	S	12	54	Johannesburg		–	–	Nairobi		–	–	Singapore	F	29	84	† Noon GMT temperatures			
Belfast	Dr	8	46	Dallas †	S	1	34	Lisbon	S	12	54	Naples	S	12	54	Stockholm	S	-5	23	C – Cloudy Dr – Drizzle			
Belgrade	F	2	36	Dublin	Dr	10	50	London	Dr	8	46	Nassau	R	24	75	Strasbourg	F	8	46	F – Fair Fg – Fog H – Hail			
Berlin	S	0	32	Dubrovnik	S	10	50	Los Angeles †	S	12	54	New Delhi	S	20	68	Sydney	F	25	77	R – Rain S – Sunny			
Biarritz	F	10	50	Edinburgh	C	2	36	Luxembourg	C	4	39	New York †	F	1	34	Taipei	F	11	52	Sl – Sleet Sn – Snow			
Bombay	S	33	91	Faro	S	16	61	Madeira	C	16	61	Nice	S	13	55	Tangier	S	16	61	T – Thunder			
Bordeaux	C	11	52	Florence	S	8	46	Madrid	S	7	45	Nicosia	F	17	63	Tel Aviv	S	17	63				

THE LEX COLUMN

At sea in a leaky punt

Tuesday's UK rate cut has dealt an unkind blow to Ireland. With sterling weak as a result, the Irish authorities are struggling to keep the punt within the ERM. Even short term rates of 100 per cent, subsidies to exporters and an illiquid money market cannot keep speculators at bay. The punt fell through *its floor against* the Belgian Franc and the Dutch guilder yesterday. Assuming the prospect of further rate cuts keeps sterling weak, Ireland may soon have no option but to desert the ERM, but that need *not mean a* crisis which would also engulf the the French franc.

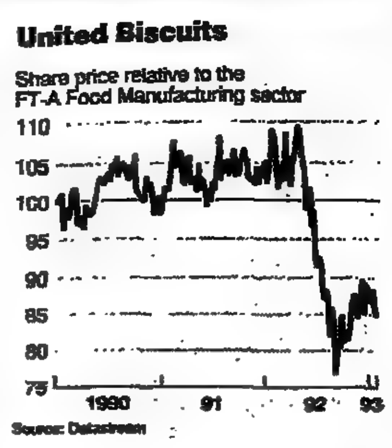
The unfortunate aspect of the punt's weakness is that it coincides with a market perception *that the Bundes*bank is again suffering doubts over the wisdom of lower rates. Neither Germany's budget nor inflation nor wages are sufficiently under control to warrant any *substantial monetary* easing. A discount rate cut seems unlikely before late February or early March. So the D-Mark is strong, and the Irish problem can be seen as a trigger *for strains which* were already waiting to re-emerge in the ERM.

The pressure could spread to Denmark whose unemployment rate has reached nearly 12 per cent. But *it is difficult to over-estimate French* determination to stay the course, notwithstanding the approaching election. The Bundesbank recognises as much. It has already trimmed its money mar*ket repurchase rate to take pressure* off the franc and would surely be prepared to do so again. There will not, however, be much of a system left if other currencies keep dropping out. If *the Bundesbank is too niggardly*, Europe may enter an era not of monetary union, but of competitive devaluation and deepening economic gloom.

W.H. Smith

The problems of the Do It All home improvement chain are turning into a war of attrition for joint venturers *W.H. Smith and Boots. While* the ferocity of last summer's price fight has abated, there are signs that Texas and B&Q are keeping up the pressure on poorly placed Do It All. What is even more worrying is that the parents now seem less convinced that they have found an answer. No further new money will come from the top to move to better sites or convert shops to the much-vaunted new format, so it is difficult to see Do It All improving much unless the housing market turns up decisively. Do It All

FT-SE Index: 2832.5 (-3.2)



Source: Datastream

fits more naturally with Boots' operations and a single parent might be prepared to take tough decisions. The cost of leaving the sorry episode behind might be worth bearing – always supposing that W.H. Smith can persuade Boots to take the body away.

None of this would matter if the previously rock-solid high street chains were still going strong. Video and recorded *music sales* are very *important to the group, yet the declin*ing teenage audience seems to be turning to other pursuits. The demise of the singles market and the high price of compact discs may have caused a *structural shift away from recorded* music which minor price cuts will not reverse. There is also the vague threat of VAT on books and newspapers, which must tempt a cash-hungry *chancellor. W.H. Smith has suffered* from its safe-but-dull image as the market has sought out recovery stories. It would be doubly unfortunate if the group merely proves to be dull.

UK gilts

It is difficult to see yesterday's gilts auction as anything but disappointing. The scant cover *hardly bodes well*, especially following the modest level of government funding in recent months. Expectations were hardly high following Tuesday's cut in interest rates. Market-makers caught with short positions had to cover themselves immediately. They scaled back their auction bids as a result, but investors might equally be forgiven for being worried about lending to a government capable of such unpredictable behaviour. After all, the rate cut appears a politically-inspired, hasty decision taken *without much thought* to the exchange rate.

The pull of lower short-term rates has so far been strong enough to keep *even long*-dated gilts on an even keel, but the pressure of government funding on institutional cash flow has hardly been felt. This week might give some taste of things to come; in addition to yesterday's £2.5bn auction – and tap issues amounting to £550m announced in the afternoon – institutions have to pay over £1bn in instalments on earlier purchases of gilt-edged stock.

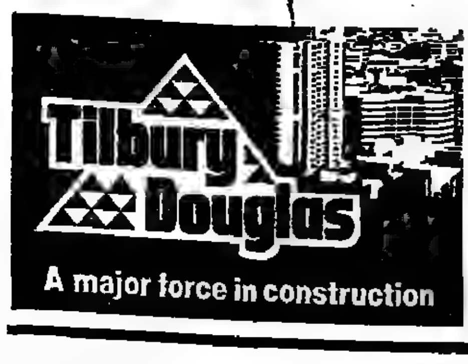
Even that may not unsettle the market while it believes Mr Lamont will pull a rabbit from his hat on budget day. Following the latest rate cut, the chancellor looks less likely to deliver the kind of tight package which might curb the PSBR. Some relaxation of the full funding rule is possible. If Mr Lamont is worried about the response to yesterday's auction, he may be all the more inclined to act.

United Biscuits

The optimistic interpretation of UB's management reshuffle at Keebler is that it will enable the parent to impose stricter discipline over its wayward child. The depressing one is that it highlights just how little control UB has over its own destiny.

No matter how well the new chief executive performs, Keebler will con*tinue to* be hampered by the brutal reality of the US biscuit and snacks markets. Despite being number two in its chosen fields, Keebler remains a comparatively small player with few *easy expansion routes. Market terms* are largely dictated by the dominant Nabisco. As yet, there is little sign of a truce in the biscuit price war, which has so disfigured Keebler's margins, *although economic recovery will* clearly help.

A similar problem applies to Ross Young's, UB's frozen foods business in the UK, which shows a dismal return *on assets despite severe rationalisa*tion. In both cases, UB's energetic new management must be sorely tempted to cut and run. Yesterday's moves, though, imply a renewed resolve to struggle through. That may be the only viable option given the difficulties of disposing of such assets in current markets. But it also suggests UB's share price will limp, no matter how fast the other half of the business runs. UB's style will be further cramped by high borrowings, which limit the scope for acquisitive growth.



FINANCIAL TIMES
COMPANIES & MARKETS

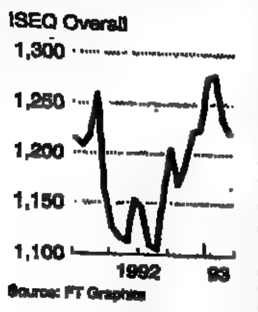
Thursday January 28 1993

INSIDE

Philip Morris surges ahead to $4.9bn

Philip Morris, the tobacco, food and beer manufacturer, increased after-tax profits 17.5 per cent, before the effect of accounting changes, to $4.93bn. Mr Michael Miles, chairman, said that the group was "optimistic" about prospects for 1993. Page 19

Falls expected in Irish market



Bearish forecasts for the Irish stock market outnumber the bulls. In 1992 the ISEQ overall index fell by 11 per cent and the equity market faces a deepening recession this year. It all hinges on whether the government's no-devaluation policy will bring down interest rates in the short term. Stockbroking firms in Dublin are forecasting further falls in 1993 if the government does not devalue. Back Page

Possibilities in Peru

Peru remains unexplored for oil and "no-one questions the technical possibilities of major finds here", according to Simon Petroleum Technology. However, Mobil's hopes of striking it big in Peru's unexplored central jungle have been dashed. Page 28

Veba profits fall to DM900m

Net profits at Veba, the Düsseldorf-based conglomerate, fell 20 per cent last year to DM900m ($570.7m), down from DM1.02bn in 1991. The profits drop was due to a "marked loss" in the company's chemicals operations, combined with a deterioration of earnings in the oil division. Page 18

Sour words for Tate & Lyle

A US trade union handed out leaflets to shareholders attending Tate & Lyle's annual meeting saying a dispute in an Illinois factory was giving the sugar and starch group "a bad name". "Labour relations problems at AE Staley are bad business for you," said the union. Tate acquired Staley, the sweeteners and starches business, in 1988 for $1.48bn. Page 24

General Dynamics, rises 5%

General Dynamics, the US defence contractor which has been selling off large pieces of itself, yesterday reported a 5 per cent increase in fourth quarter net earnings to $174m, or $5.59 a share. Page 19

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Aachen Mch	800	+	20	Eridania B-Say	595	+	14
Porsche	455	+	15	Roussel-Uclaf	464	+	12
Falls				**Falls**			
GEHE	373	–	10	Alcatel Alsthom	625	–	15
Goldschmidt	800	–	20	Fin Poliet	448	–	20
Hochtief	950	–	30	GTM Entrepose	312	–	13
Zanders Feinpap	190	–	16	Havas	405	–	12
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Pyramid Tech	15	+	1¾	Chinon Inds	332	+	34
Union Carbide	16⅞	+	⅛	Ensuiko Sugar	585	+	80
Westinghouse	14	+	¼	Nikka Whisky	805	+	80
Falls				Nitto Seimo	483	+	43
Amer Express	23	–	1	Takasago Tekko	230	+	20
Amgen	60¾	–	2¼	**Falls**			
Sun Microsystem	38⅝	–	⅞	Daiichi Housing	194	–	16

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Tilbury Dglas	488	+	20
Aukett Assoc	7½	+	1½	Tiphook	359	+	20
BritishSyphon	115	+	[illegible]	Trio Hldgs	75	+	8
Britton	10¼	+	2	Union Discount	166	+	8
Cosalt	160	+	6	Volex	448	+	24
CreightonsNat	195	+	10	Watson Philip	303	+	14
Domino Prntg	[illegible]	+	28	**Falls**			
EW Fact	94	+	9	ASDA	63	–	3
Emess	[illegible]	+	2	Betterware	226	–	16
Goldsmiths	38	+	4	MTL Instmnts	235	–	13
Kleinwort Bnsn	350	+	16	Norcros	138	–	6
Lec Refrig	263	+	23	Sleepy Kids	20	–	3
Shandwick	23	+	2				
Southnews	123	+	13				

USAir losses deepen after one-off charges

By Nikki Tait in New York

USAIR, the sixth-largest US carrier in which British Airways has invested $300m for a proposed 19.9 per cent voting interest, yesterday released fourth-quarter and full-year figures showing some modest improvement in operating performance, but significantly larger after-tax losses because of one-off charges.

The heavily-indebted carrier also announced agreement on a revised aircraft delivery schedule with Boeing which, USAir said, would cut its capital expenditure requirements by $835m between 1993 and 1996.

USAir's figures showed a pre-tax loss of $254.1m in the fourth quarter of 1992. This compared with a tiny $2.9m profit in the same period of 1991, and was scored on a 2 per cent decline in revenues, at $1.63bn.

The fourth-quarter deficit meant that USAir lost $600.8m pre-tax last year, compared with $414.8m in the 1991, on revenues of $6.69bn (up from $6.51bn). The after-tax loss of $1.22bn, against a $305.3m deficit for 1991, reflected a one-off, non-cash charge of $745.7m, to cover the new US accounting standard on non-pension retirement benefits, partly offset by a $117.6m tax credit.

Even at the pre-tax level, USAir's results were riddled by one-off items, and Mr Seth Schofield, chairman, was quick to focus on an improvement in the underlying operating results. USAir's operating loss for the 12 months, before any exceptional or extraordinary items, narrowed from $219.4m to $166.4m, although in the final three months, when USAir faced a brief mechanics' strike, it widened again from $14.4m to $31.7m.

"While we are concerned about the continuing propensity of the industry to offer too much capacity in the face of weak demand, we are seeing positive trends at USAir in unit revenues and unit costs," claimed Mr Schofield.

Within the 1992 pre-tax figure, USAir incurred $170.1m of extraordinary charges. The annual non-operating expense – mainly interest charges on the group's large debt – totalled $264.3m, compared with $241.3m in 1991.

● Mr Warren Buffett, the US investor and chairman of the Berkshire Hathaway group, and Mr Charles Munger, vice-chairman at Berkshire Hathaway, have joined the USAir board. Berkshire Hathaway has held a tranche of USAir convertible preferred shares for some years.

Chairman of Westinghouse 'elects to retire'

By Martin Dickson in New York

MR PAUL LEGO, chairman and chief executive of Westinghouse Electric, is to quit the troubled US conglomerate.

The Westinghouse board announced yesterday morning that Mr Lego, chairman since July 1990, had "elected to retire", though he would remain a consultant to the group.

The company gave no immediate explanation for the move nor indication as to whether there had been pressure from the board.

However, Westinghouse said it would hold a news conference on the resignation later in the day.

The company elected Mr Richard Morrow, a retired chairman of the oil company Amoco, as chairman and Mr Gary Clark, 57 and president of special operations, as president and acting chief executive officer. Mr Morrow, 66, has been on the Westinghouse board since 1986.

The board is to look for a permanent chief executive, and will consider candidates from inside and outside the company.

Mr Lego's resignation came just 24 hours after Mr John Akers, chief executive of troubled International Business Machines, announced he was resigning.

Over the past year, US boards and shareholder activists have grown much more aggressive in ousting managers at poorly performing companies.

An important example was set at General Motors, where the board forced the resignation of Mr Robert Stempel, the chairman, who was deemed to be moving too slowly to reform the company.

The 62-year-old Mr Lego and the Westinghouse board have been widely criticised over the past year by shareholder activists for failing to react with sufficient vigour to the severe problems of its financial services business.

However, Mr Lego, a 37-year Westinghouse veteran, managed to soften the criticism last November when he announced a drastic restructuring of the group, including plans to get out of financial services, cut its dividend, take a $1.13bn after-tax charge and sell off several businesses to bolster its balance sheet.

Investor interest low at auction of £2.5bn gilt stock

By Antonia Sharpe and Emma Tucker in London

THE UK GOVERNMENT could face difficulty in funding its heavy public sector borrowing requirement next year following a poor response to yesterday's big auction of gilt-edged stock.

Investor interest in the Bank of England's £2.5bn ($3.8bn) gilts auction was the lowest for five years and there were signs that the central bank accepted bids at a discount to the market price to be sure of selling the full amount on offer.

However, the Bank said it was satisfied with the outcome of the auction of 8¼ per cent Treasury stock due 2007, and later issued three further tranches of existing gilts worth £550m.

The low interest could partly be explained by muted demand from marketmakers in the gilt-edged market, who were still smarting from Tuesday's unexpected cut in the base rate.

Many, who had gone short of stock in anticipation of the auction, had to buy back stock at higher prices after the one point cut in the base rate prompted a sharp rise in gilts prices.

Mr John Shepperd, economist at SG Warburg, said yesterday's response to the auction implied that the government may have created difficulties for itself as a result of the timing of the base rate cut. "The timing reduced the gilt-edged marketmakers' confidence in the whole process of auctions, which have been the backbone of the funding system recently," he said.

The cover, or the amount by which demand exceeds supply, on the auction was 1.18 times, the lowest cover since the Bank of England resumed its auctions in April 1991, but above the lowest-ever 1.07 times recorded in January 1988.

Another indication that the auction had not been a resounding success was a much longer "tail" – the difference between the average accepted price and the lowest accepted price – of $\frac{1}{16}$. This compares with tails of just $\frac{1}{32}$ or $\frac{1}{16}$ in previous auctions.

"If you are allowing some investors to take the stock at such a discount, then you are really very keen to get the stock away," said Mr Michael Burke, an economist at Yamaichi.

Economists believe that the UK government is almost fully-funded for the current fiscal year following yesterday's auction, and any surplus will go towards the 1993-94 year's requirement which they estimate at £55bn.

There was concern that the slide in sterling following the latest base rate cut would discourage international investors from buying gilts. Their presence is required to facilitate the government's funding programme.

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Guy de Jonquières on initiatives to strengthen Keebler subsidiary

United Biscuits braced to lift crumbling US profits

MR Eric Nicoli, chief executive of United Biscuits (UB), Britain's fourth biggest food manufacturer, would never admit it publicly. But this week he must be reflecting that adversity has its compensations.

The resignation on Tuesday of Mr Tom Garvin after 15 years as president of Keebler, UB's troubled US subsidiary, has cleared the way for top management to get to grips with a business that has often seemed intent on operating at arm's length from the rest of the group since it was acquired in 1974.

The autocratic and combative Mr Garvin has been replaced by Mr Brian Chadbourne, head of McVitie's biscuits, UB's biggest division. A trusted lieutenant of Mr Nicoli, the 40-year-old Mr Chadbourne has won praise for maintaining McVitie's UK profits in recession while knitting together a series of recent acquisitions in continental Europe.

Mr Garvin's departure has seemed likely since UB reported last September a 57 per cent fall in Keebler's first-half trading profit to £12.1m ($18.4m) - sharply reversing a steady recovery in the company's margins after they were savaged by the US "cookie war" in the mid-1980s.

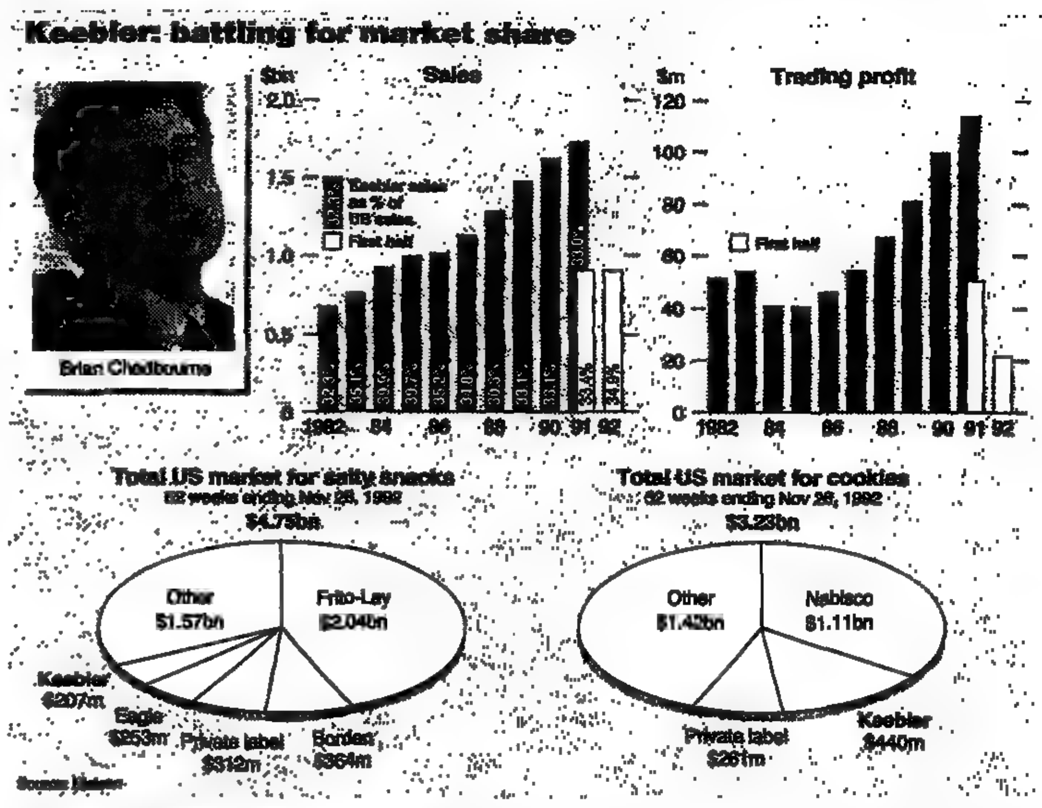
The debacle, which cut group pre-tax results by 17 per cent, was a big blow to Mr Nicoli and his team of youthful top managers. Since Lord Laing's retirement in 1990 after 17 years as chairman, they have made profitable international expansion a strategic priority and a test of their management credentials.

The main cause of Keebler's latest problems was another bout of severe price-cutting in a weak market to which the company, the second largest US cookie and cracker producer after Nabisco, was slow to respond. However, Keebler also bungled the launch of several products on which it had been counting to maintain market share.

At UB's urging, Keebler has already moved to repair the short-term damage. Since last autumn, it has closed a bakery, trimmed management and begun controlling trade and promotional spending more tightly, while going all-out to recapture market share.

A more disciplined approach is also being brought to the introduction of products. Although Keebler is a prolific innovator - its "Sweet Spots" cookies were the second most successful new supermarket product in the US last year - it has been repeatedly handicapped by technical and production difficulties.

Although Mr Nicoli says there was little improvement in Keebler's profits in the second half of last year, he says he is confident of "a considerable recovery in 1993, even without any price increases".



The biggest challenge facing Mr Chadbourne, who has spent the past two months preparing for his new job, is to find a way to achieve sustainable profits growth over the longer term. Mr Nicoli believes a 10 per cent operating margin is attainable. However, Keebler's margin has not exceeded 7 per cent in the past decade and sank to 2.4 per cent in the first half of last year. By contrast, Nabisco, whose US cookie sales are three times higher than Keebler's, has regularly earned a margin of about 14 per cent. Frito-Lay, the US market leader in salty snacks, in which Keebler also competes on a small scale, boasts a margin of more than 20 per cent.

Part of Keebler's problem is that although it serves a nationwide market it has a revenue base far smaller than those of the market leaders. Consequently, its marketing, sales and distribution costs - at about half of gross sales - are high by industry standards.

Many industry observers blame Keebler's expensive "store-door" delivery system, which distributes products to retailers. Carrying relatively low volumes, one analyst likened it to "a Rolls-Royce without a VIP to transport".

Mr Nicoli, who recently completed a review of Keebler with the aid of McKinsey, the management consultants, says UB is looking at ways to manage the delivery system more efficiently.

Much rides on whether the vision of the future shared by Mr Nicoli and his colleagues is the right one

However, he believes the biggest scope for cost savings lies in targetting marketing spending more effectively.

Another priority is salty snacks, a fast-growing market in which Keebler has never made a profit. Mr Nicoli believes the key lies in pricing policy, which is receiving close attention. "It is clear that we have the manufacturing and new product development capacity. We should be able to market effectively and make money," he says.

But UB's biggest and boldest initiative to strengthen Keebler is its entry into own-label cookie manufacturing through the £47m acquisition this month of Bake-Line, the leading US specialist in the sector. UB began manufacturing own-label biscuits for UK retailers 20 years ago and it today accounts for almost 40 per cent of McVitie's output. The company believes its experience can be profitably applied in the US, where own-label's share of the market has increased rapidly in the past few years.

"Own-label in the US is where it was in Britain 15 years ago," says Mr Nicoli. "It is still relatively low-quality, cheap and unattractively packaged. But as US retailers increase their marketing effort, they will want to improve the quality of own-label. The business is bound to grow."

Not everyone in the industry agrees. Mr David Johnson, president of Campbell's Soup, which owns Pepperidge Farm cookies, thinks the growth of own-label in the US is mainly because of recession. He also doubts that American food retailers can match the success of their UK counterparts in building the strong brand image that has enabled them to present own-label products as quality items.

With Keebler accounting for a third of UB's sales, and its performance offering a particularly visible test of the group's management, much rides on whether the vision of the future shared by Mr Nicoli and his colleagues turns out to be the right one.

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George Soros buys Berkeley Group stake

By Paul Taylor in London

SHARES in Berkeley Group jumped by 13p to 341p yesterday after it was revealed that Mr George Soros, the Hungarian-born Wall Street money manager, had built up a 3.19 per cent stake in the UK housebuilder.

The Quantum Fund, an investment vehicle set up in the Netherlands Antilles by Mr Soros and advised by the New York-based Soros Fund Management, has acquired 1.84m shares in Berkeley, while Mr Soros and Lupa Family Partners have acquired an additional 114,000 shares.

Soros Fund Management, which has a portfolio of more than $7bn, made more than $1bn profit speculating against sterling on "Black Wednesday".

The holding was revealed after it reached 3 per cent on Monday, triggering the disclosure requirements of the UK 1985 Companies Act. No reason was given for the investments. Berkeley already has a number of large institutional and other investors including SAAD Investments, a Saudi family investment group which has a 10.37 per cent stake in the company.

Berkeley mostly builds up-market houses and has managed to weather the UK recession considerably better than most housebuilders having liquidated its land bank in late 1988.

In the six months to October 31 it raised pre-tax profits by 27 per cent to £6.92m ($10m) and increased its interim dividend by 10 per cent.

Yesterday Mr Tony Pidgley, chief executive, said the investment was a surprise. "We take it as a compliment, they are successful investors."

Substantial losses at Finnish oil group

By Christopher Brown-Humes in Stockholm

NESTE, the Finnish state-owned oil and petrochemicals group, said yesterday that adverse market conditions, heavy financing costs and exchange rate losses lay behind a substantial loss before reserves and taxes in 1992.

The preliminary report did not quantify the size of the deficit, nor did it indicate whether it had exceeded the FM914m ($172.6m) loss which the group incurred in the first eight months. In 1991, the group made a FM478m profit.

The slump in international refining margins was a significant factor in the downturn, while prices for petrochemicals and plastics reached "an exceptionally depressed level," Neste said.

The group was also hit by the weakening of the markka, following two devaluations within the space of 12 months, and a worse performance from its shipping division.

The operating margin declined to FM1.9bn from FM2.5bn in 1991, although the group noted that "compared with the early part of the year, operational performance improved during the last four months, when nearly half the operating margin was generated."

Net sales were 5.5 per cent higher at FM55.9bn. Oil sales rose to FM45.5bn from FM42.7bn, with chemical sales up to FM9.1bn from FM8.9bn. Smaller operations, including gas, shipping and exploration and production, also achieved higher turnover.

The group's investments in fixed assets totalled FM3.8bn last year, down sharply from FM5.4bn in 1991.

Some 45 per cent of the amount was invested in Finland and the balance outside the country. The bulk of the overseas portion went on developing oil reserves as this has been a major strategic priority.

"Investment at production plants continued to be focused on improving productivity, specialisation, and environmental protection," Neste said. It also began construction of a new polyethelene plant at the Porvoo production complex.

Neste has been identified for privatisation by the Finnish government, although the timetable has slipped. Like other Finnish groups, the company has been cutting staff, with staff numbers falling 600 during 1992 to just over 12,800.

Donnay loses its battle to stave off liquidation

By Alice Rawsthorn in Paris

DONNAY Industrie, the Belgian sporting goods group, was yesterday put into liquidation after struggling for months to stem its losses and to solve its financial problems.

The company, which is perhaps best known for its tennis racquets and its sponsorship contract with Mr André Agassi, the US tennis star, has a troubled financial history.

Donnay went out of business in 1988, only to be rescued from the receivers by Bernard Tapie Finance, the holding company controlled by Mr Bernard Tapie, the controversial French industrialist who was then making his name in financial circles by buying up bankrupt businesses.

Mr Tapie later extended his sporting goods interests by buying Adidas, the German company.

Donnay was restructured under Mr Tapie's ownership.

He sold its industrial interests in 1991 to Carbon Valley, the Italian company, and then sold the rest of the company in the same year as part of his divestment programme.

The Donnay trademark is currently owned by the Walloon regional government.

In spite of a number of rationalisations and reorganisation plans, Donnay has remained in the red in what is an intensely competitive international market.

The company has diversified into bicycle frame manufacture.

However, it has faced stiff competition in this sector from French, US and Japanese manufacturers.

The Walloon regional government said yesterday that a number of potential purchasers had indicated their interest in purchasing Donnay from the liquidators.

Veba suffers from 'marked loss' in chemical operations

By David Waller in Frankfurt

NET profits at Veba, the Düsseldorf-based conglomerate, fell by 20 per cent last year to DM900m ($570.7m), down from DM1.02bn in 1991. Sales climbed by 12 per cent to DM67bn, reflecting the inclusion of the forwarding company Schenker for the first time.

The profits drop was due to a "marked loss" in the company's chemicals operations, combined with a substantial deterioration in earnings in the oil division. Profits increased in trading, transportation and services as well as the core electricity generating business.

A fall of this magnitude was expected after the company warned last month of the impact of extraordinary charges to cover the costs of redundancies and other rationalisation measures, mainly in the chemicals sector. These were likely to amount to DM337m for 1992, the company warned at the time.

Mr Klaus Piltz, chief executive, said in early December that the group planned to cut 7,000 jobs by the end of 1993, 5,000 of them in 1992. Over last year as a whole, the number of employees rose by 13,000 to 130,000, an increase of around 11 per cent, reflecting the acquisition of Schenker.

Other factors affecting profits were extraordinary provisions in the nuclear energy field and start-up costs for new plants in the chemicals and oils businesses.

Veba intends to hold its 1992 dividend at DM12 per share, the same level as in 1991.

UK retailer hit by losses at DIY venture

By Maggie Urry in London

LOSSES at W.H. Smith's Do It All joint venture and a late start to Christmas trade cut the UK retail and distribution group's interim profits from £50.1m ($75m) to £40.2m. Smith's shares fell 15p to 440p.

Group sales rose 7.1 per cent to £1.07bn in the six months to November 28. The group benefited from an unchanged pension credit of £4.6m, but interest charges rose from £2.6m to £3.5m. Earnings per share fell from 14.5p to 10.8p and the interim dividend was unchanged at 4.3p.

Sir Simon Hornby, chairman, said: "We still cannot see any clear signs of an upturn." If there were a recovery this year, he added, it was likely to be "slow and uneven".

Smith's share of losses from Do It All, a chain of do-it-yourself shops owned equally with Boots, the retail and pharmaceutical group, was £8.4m against a loss of £900,000 in the corresponding period the previous year. Boots shares fell 8p to 517p.

In Smith's non-DIY operations, trading profits fell from £35.6m to £30.6m.

A 2 per cent drop fall in sales in November, with customers slow to start their Christmas shopping, had cost £3m in profits.

Trading profits from Smith's US retail operations more than doubled from £1.9m to £4.2m.

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Profits warning from Rémy as sales slide

By Alice Rawsthorn

REMY-COINTREAU, one of France's leading drinks groups, yesterday issued a profits warning for 1992 because of the sluggish economic environment and the impact of high French interest rates.

Rémy, which has extensive interests in champagne as well as its signature Rémy-Martin and Cointreau spirits brands, suffered a 7.5 per cent fall in turnover to FFr4.39bn ($823m) in the nine months to December 31.

The company said that it had experienced a recovery in demand during the third quarter, but this had failed to compensate for the reduction in sales during the first half.

It did not disclose details of its profit performance in the first nine months, nor of its probable performance for the full year to March 31.

However, the company confirmed that it anticipated a reduction on its FFr271m net profits recorded in the previous year.

Rémy has been hit by a decline in demand across its international markets.

Sales of cognac fell from FFr1.97bn to FFr1.84bn in the first three quarters, while sales of liqueurs and spirits dipped from FFr1.33bn to FFr1.24bn.

Champagne was the only sector to report an increase in sales, with turnover rising from FFr481m to FFr510m.

Solvay falls 14% as slowdown takes toll

By Lionel Barber in Brussels

SOLVAY, Belgium's largest chemicals group, yesterday reported a 14 per cent drop in profits in fiscal 1992, excluding extraordinary items.

The fall in earnings – which excludes minority interests – was blamed on a slowdown in the European economy which reduced demand for plastics and alkalines.

The weak performance saw shares in Solvay drop by 0.2 per cent to BFr12,750 in one of the most actively-traded shares on the Belgian stock market yesterday.

Solvay, one of the world's top 20 chemical groups, said capital spending would be 18 per cent lower in 1993 than in 1992, although research and development would be maintained at BFr13bn. Turnover in 1992 fell 1 per cent to BFr252bn.

Solvay will publish formal results in April, but yesterday's preliminary statement indicated they would show full-year earnings before extraordinary items falling to BFr8.4bn against BFr9.8bn in 1991.

Including minority interests, the figures would show a sharper drop of 18 per cent in net profits in 1992. These third-party interests – primarily the former joint venture in peroxides with Laporte, the UK company, have virtually disappeared following a group reorganisation.

Ercros halts plan to close fertiliser units

By Tom Burns in Madrid

ERCROS, the Spanish chemical conglomerate controlled by the Kuwait Investment Office, has cancelled a plan to introduce large cuts in its Fesa-Enfersa fertiliser unit aimed at aiding the unit's disposal.

The decision to rescind the closure of five of the 12 fertiliser plants followed a judicial decision on Tuesday that rejected an attempt by the KIO's new management to bring fraud and gross negligence charges against its former senior executives in Spain.

Grupo Torras, the KIO's Spanish investment arm which owns Ercros, did not explain its change of mind, but analysts saw it as a response to government pressure and to the growing protests that the cutbacks had provoked. Significantly, the decision to retain all the fertiliser units and to withdraw 1,900 redundancies – half the workforce – was announced by the employment minister to union leaders.

The debt-laden fertiliser unit accounted for half of Ercros' losses of Pta16.4bn ($146.7m) in 1991, three times higher than forecast. Ercros was put into receivership last summer, and Torras had hoped to rescue it through the disposal of Fesa-Enfersa.

Skoda Plzen in German tie-up

SKODA PLZEN, the Czech republic's largest engineering group, said yesterday it had signed a joint venture with Dörries und Scharmann, a German machine tool company, Reuter reports.

The deal was concluded yesterday with the Skoda Plzen subsidiary Obrabeci Stroje (Machine Tools), which said that Dörries would invest DM10m ($6.3m) of capital in the venture and a further DM15m in three years.

Daf shares remain suspended

By Ronald van de Krol in Amsterdam

TRADING in Daf, the lossmaking Dutch truck manufacturer, remained suspended for a third consecutive day yesterday as the company, its bankers and government authorities in the Netherlands and Belgium continued to work on a refinancing and recovery package.

Daf's shares were suspended early Monday morning ahead of an announcement about the rescue scheme originally scheduled for Tuesday afternoon, but the four parties involved in the talks have so far failed to reach agreement.

A spokesman for Daf could not say when the company would be able to unveil the package. The Amsterdam stock exchange said Daf's shares would remain suspended until further notice.

Mr Cor Baan, Daf's chairman, told 2,000 demonstrating employees that he was "neither optimistic nor afraid" that the talks would fail. "I am, however, greatly concerned that the uncertainty will last too long," he added.

Mr Baan said the problem lay in conditions attached to the financing package, but gave no details. One obstacle is thought to be job and other guarantees sought by the government of the Belgian region of Flanders, where Daf makes truck cabs and axles.

Norwegian savings bank bounces back into black

By Karen Fossli in Oslo

SPAREBANKEN Nord-Norge, Norway's third-largest savings bank, bounced back into the black in 1992 with a net profit of NKr160.4m ($23.9m), compared with a NKr41.2m loss a year earlier.

The bank said the improvement was due to a reduction in credit losses, lower costs and improved interest earnings. Credit losses were cut by NKr114.7m to NKr245m, while net interest income was lifted by NKr17.6m to NKr893.7m.

Credit losses of NKr127m stemming from non-corporate customers were higher than the board had anticipated, the bank said.

Operating profit, before credit losses, was up by NKr86.9m to NKr405.4m. Operating costs fell to NKr330.7m last year from NKr385.2m in 1991.

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Profits at Philip Morris surge ahead to $4.93bn

By Nikki Tait in New York

PHILIP Morris, the large tobacco, food and beer manufacturer, yesterday reported a 17.5 per cent increase in after-tax profits last year, before the effect of accounting changes, to $4.93bn.

The result was scored on a 4.7 per cent rise in operating revenues, at $59.1bn.

In the fourth quarter alone, Philip Morris posted after-tax earnings of $1.2bn. This compared with $767m last time, but the previous year's figure was depressed by a $455m charge to cover restructuring in the food division.

Operating revenue in the final quarter rose from $13.7bn in 1991 to $14.9bn last year – an 8.9 per cent improvement.

Philip Morris's earnings per share last year stood at $5.45, up by 20 per cent over the 1991 (again, before accounting-related charges).

The company had already signalled that it expected a rise of one-fifth in earnings per share, and the shares edged ahead only $¼ on the news to $73¾ before the close.

Mr Michael Miles, Philip Morris's chairman, said the group was "optimistic" about prospects for 1993. He based this view on "our growth and productivity initiatives, increasing volume momentum, and a narrowing of price gaps in a number of our key categories".

Philip Morris surprised the stock market at the time of its third-quarter results when it revealed that cigarette shipments, in volume terms, had fallen slightly, and were expected to dip further in the fourth quarter.

Yesterday, it said that cigarette volume for the full-year was down by 0.5 per cent, mainly due the previously-announced stock adjustments in domestic shipments and lower level of Russian exports.

Within this aggregate figure, domestic shipments fell 2.9 per cent, and Philip Morris's US market share declined by 1.1 percentage points, to 42.3 per cent.

However, operating profit for the domestic tobacco business was up by 8.6 per cent at $5.2bn, on a 3.6 per cent increase in revenues, at $12bn.

Operating profit from the international tobacco business also advanced strongly, by 19.1 per cent to $2bn, on revenues up by 11.6 per cent at $13.7bn.

Operating profits from the food businesses overall showed a 10.6 per cent advance at $3.3bn, with sales improving by a more modest 3.1 per cent, at $29bn.

The Miller Brewing Company, however, turned in a 13.6 per cent decline in operating profit, at $260m, on sales 2 per cent lower at $4bn.

General Dynamics climbs 5%

By Martin Dickson

GENERAL Dynamics, the US defence contractor which has been selling off large pieces of itself, yesterday reported a 5 per cent increase in fourth-quarter net earnings.

The company said its latest disposal – the proposed sale of its tactical military aircraft business to Lockheed for $1.525bn – was expected to be completed in February and bring in more than $1bn in additional cash, net of taxes and transaction costs.

General Dynamics ended 1992 with some $950m in cash and marketable securities.

The company's fourth-quarter net earnings totalled $174m, or $5.59 a share, compared with $166m, or $3.87, in the corresponding period of last year. The company repurchased some 30 per cent of its shares outstanding last July.

Earnings from continuing operations, which excludes businesses up for sale, totalled $153m, or $4.92 a share, on sales of $915m.

This included a tax credit of $95m and a $14m after-tax gain from the sale of securities. Fourth-quarter 1991 earnings from continuing operations were $7m, or 16 cents a share.

For the full year, total net earnings were $815m, or $21.56 a share, against $505m, or $11.80, in 1991, on revenues of $3.4bn, up from $3.3bn.

The company's funded backlog for continuing operations at the end of 1992 stood at $7.7bn, down from $8.7bn at the end of 1991.

The company's nuclear submarines operations earned $25m in the fourth quarter, up from $21 a year ago, while armoured vehicles made $40m, compared with $26m. Space launch systems lost $13m, against a loss of $21m in 1991.

MCI Communications up 17%

By Martin Dickson

MCI Communications, the second-largest US long-distance telecommunications carrier, yesterday reported a 17 per cent increase in fourth-quarter earnings amid strong revenue and traffic growth.

The company reported earnings of $160m, or 60 cents a share, compared with $137m, or 52 cents, in the same period of last year. Revenues rose 13 per cent to $2.76bn from $2.44bn, while traffic was up 14 per cent.

For the full year, MCI reported earnings of $589m, or $2.21 a share, against $522m, or $2.01, in 1991, while revenues were $10.56bn, up 11 per cent compared with 1991's $9.49bn.

h The fourth-quarter figures included revenue, less expenses, of $56m from a previously-announced intelligent network licensing agreement with Stentor of Canada. The company also recorded one-time costs of $47m due largely to a business reorganisation announced last year.

Mr Daniel Akerson, president, said factors contributing to the 25-year-old company's first year with revenues over $10bn included its Friends and Family programme – an innovative scheme which cuts the price of residential calls and now has more than 10m customers – as well as major contracts reached with clients such as the Federal Aviation Authority.

The company said that in 1993 in would focus on developing its 800 toll-free services, expansion of its data products, extending its international reach and developing new technologies such as personal communications services.

French banks face downgrading

By Tracy Corrigan

STANDARD & Poor's, the credit rating agency, may lower the ratings of six French banks. The short and long-term debt ratings of Banque Indosuez, Banque Paribas, Banque Worms, Compagnie Bancaire, Compagnie Financière de CIC et de L'Union Européenne and Credisuez have been placed on creditwatch with negative implications.

S&P cited the increased credit risk facing French banks at a time when their operating margins are near a six-year low. French banks have been hard hit by the problems of small and medium-sized companies, and the decline of the commercial property market, but only began to make significant provisions in 1992, according to the agency.

Banque Indosuez has a large exposure to real estate and to the equipment leasing sector through its subsidiary Locafrance. The Paribas group is suffering from an increasing level of non-performing loans and has significant exposure to commercial property. Its subsidiary, Compagnie Bancaire, is exposed to property and equipment finance.

The long-term senior debt of both Indosuez and Paribas is currently rated AA-. S&P said that a final decision on the ratings will be made after meeting the senior management of the banks affected.

Ambitious cable plan from Time Warner

By Martin Dickson in New York

TIME WARNER, the US media group, has announced plans to build in Orlando, Florida, the most ambitious interactive cable-based home entertainment and communications network yet attempted in the US on a commercial basis.

The company, which runs the second-largest cable television business in the US, said it would eventually integrate this new operation, which it calls a "full service network," into its other cable markets across America.

The move is an important step in the battle over which industry – cable television or local telephone companies – will be the main conduit providing multi-media services to the home.

Mr Gerald Levin, chairman, said that the move "clearly establishes cable's technology as the primary pathway for information and entertainment".

Mr Joseph Collins, chairman of Time Warner Cable, said the full service network being introduced in Orlando would allow consumers to call up movies on demand, as well as interactive games and video shopping. It would also give access to distance learning.

The company has also applied for an experimental licence to test personal communications services – a kind of mobile telephone system, similar to cellular telephony – in the Orlando area and also planned to offer customers access to long-distance telephone service providers.

This is a direct threat to local telephone companies, which derive a large proportion of their revenues from access charges to link local customers to long-distance telecommunications groups.

Orlando is one of Time Warner's main cable television markets, with some 500,000 subscribers. The service will operate initially in an area with some 4,000 residential customers.

Fourth-quarter earnings at Boeing dip 6%

By Martin Dickson

BOEING, the US aircraft manufacturer which this week announced a sharp cut in its production programme, also reported a 6 per cent drop in fourth-quarter earnings, but a 4 per cent increase for 1992 as a whole.

The company reported net earnings before accounting changes of $377m, or $1.11 a share, in the fourth quarter, compared with $403m, or $1.17, in the corresponding period of 1991. Sales were $7.5bn, against $7.8bn.

For 1992, it reported earnings of $1.685bn, or $4.81 a share, compared with $1.567bn, or $4.56, in 1991. Sales rose from $29.3bn to $30.2bn.

Mr Frank Schrontz, chairman, said Boeing expected 1993 sales to drop to around $26bn, with commercial aircraft deliveries dropping to about 340 units, against 441 in 1992.

Mr Schrontz said the increase in 1992 net earnings before an accounting change was mainly attributable to increased commercial aircraft sales and an improved operating performance, particularly in Boeing's space and defence business. The latter returned to profitability, with operating earnings of $204m on sales of $5.4bn.

However, these factors were partially offset by higher research and development expense, particularly for the company's 777 airliner, lower interest income and a higher tax rate.

Jewellers seek equity infusion

By Robert Gibbens in Montreal

PEOPLES JEWELLERS, Canada's biggest jewellery chain which is in bankruptcy protection, is seeking an outside equity infusion as part of its general restructuring programme.

Peoples, controlled by the Gerstein family of Toronto, had to write off its C$133m ($104m) investment in Zale of the US at the end of 1992 and reported a heavy loss. Zale has been operating under Chapter 11 bankruptcy protection.

The restructuring plan has a deadline of February 26, under an agreement with its principal secured creditor, the Bank of Novia Scotia.

Royal LePage dividend passed after heavy loss

By Robert Gibbens

ROYAL LePage, Canada's leading residential and commercial real estate brokerage, a sister company of troubled Royal Trustco, suffered a heavy loss for 1992 and has eliminated its 10 cents-a-share quarterly dividend completely.

LePage, publicly traded and a household name across Canada, is 53 per cent controlled by the Edper Bronfman group, which is also seeking a buyer for Royal Trustco, the country's second-biggest trust company.

LePage has been hit by the recession and property market collapse in Canada. Commissions are under heavy pressure and the company has been losing market share to national franchise groups.

LePage posted a 1992 loss of C$16.3m, or $1.04 a share, against a profit of C$800,000, or 5 cents, in 1991. Revenues slipped 1 per cent to C$481m.

The company had already cut its dividend last summer, and Trilon Financial, the Bronfman holding company which controls LePage, has been taking its dividends in stock for two years.

IBM starts hunt for new axeman

Louise Kehoe reports on the task facing the next chief executive

THE new chief executive of IBM must be tough enough, many believe, to eliminate tens of thousands more jobs. This is in spite of the fact Mr John Akers, whom he or she will replace, has cut Big Blue's workforce by 100,000 over the past seven years.

Industry observers and analysts have underlined that finding a replacement for Mr Akers, who is to relinquish his role as chief executive but stay on as chairman, would be a hard task. IBM announced Mr Akers' move on Tuesday.

The task of finding the successor has fallen to Mr James Burke, an IBM director and former chairman of Johnson and Johnson, who will head a newly-created committee of outside directors.

The newly-empowered "nomination and executive compensation committee", comprising IBM's non-executive directors, has said it will look for candidates outside as well as within the company, and expects to make an appointment within the next three months.

Having set a precedent by looking beyond IBM's own top management ranks, it appears likely an outsider will be chosen. "There is a mood for change. To appoint an insider after making such a dramatic move would be a disappointment," said one close observer. "It will probably be an outsider," agreed Mr Richard Shaffer, president of Technologic Partners, an industry consulting group.

James Burke: leading head-hunting team

Most of IBM's senior managers have spent their entire careers at the company, he points out. "IBM needs more outside directors, more outsiders in top management, and a lot more arguing among senior executives," he suggests.

"They need somebody who is not as genteel as Akers, somebody who can be tough."

Yet the "shock effect" of putting a new management team in place may be what is needed at IBM, says Mr Eckhard Pfeiffer, chief executive of Compaq Computer who replaced Compaq's co-founder, Mr Rod Canion, in 1991 after a boardroom coup.

"A new team can start afresh with a clean sheet on what needs to be changed and how. If it is the same guys it is an evolutionary process, rather than a revolution.

"This will get IBM beyond the denial phase," says Mr Pfeiffer, "past the stage of responding to wishful thinking that everything is going to be OK when the economy improves."

A newcomer would also need to be given free rein by the board of directors, Mr Pfeiffer said. Whether IBM's new chief executive will have such freedom remains unclear.

Also uncertain is how long Mr Akers will remain as chairman of IBM after a new chief executive is appointed. It will be up to IBM's directors to decide whether and when to elect a new chairman.

Before this week's announcement, Mr Akers was expected to remain as chairman until the end of 1994 when he turns 60, IBM's traditional retirement age. From Mr Akers' statements on Tuesday, it appears IBM is seeking an executive who will execute the recovery strategy already in place.

Mr Akers emphasised that the company remained strongly committed to its strategy to improve IBM's competitiveness and profitability.

A new IBM chief executive might also reflect upon how quickly directors can lose confidence in top managers. Just a month ago, Mr Akers confidently told Wall Street analysts "the IBM board support this management, the board supports me and I do not plan to step aside. I have not given it any thought."

Yet Mr Akers was evidently persuaded to give a great deal of thought to his role at IBM, and on Monday the company's board accepted his proposal that it begin looking for somebody to replace him.

The degree to which IBM's directors encouraged Mr Akers to step aside remains unclear.

"We may never know what really happened," said one IBM manager, "but it is clear that he [Mr Akers] made an abrupt change, and it seems unlikely that he would do so without pressure from the board."

Du Pont turns in $230m loss amid shake-up

By Alan Friedman in New York

RESTRUCTURING and debt redemption charges caused a $230m fourth-quarter loss at Du Pont, the leading US chemicals group.

For the whole of 1992, Du Pont saw its underlying income before charges slump to $975m from $1.4bn in 1991. The company, however, suffered a full-year net loss of $3.9bn, or $5.85 per share, after recording $5.1bn of special charges related to changes in accounting standards concerning employee benefits and income taxes.

Du Pont, which is engaged in a sweeping two-year reorganisation that involves asset sales, management changes and redundancies, said the full-year 1992 results included $463m of charges related to restructuring.

This charge also took in cost reduction programmes and payments made in relation to the recall of Benlate, a fungicide.

Full-year after-tax operating income – excluding the impact of accounting charges – was $326m for the chemicals division, up from $300m in 1991. The fibres division had $582m of such income, up from $561m in 1991.

The polymers business earned $415m, up from $249m, and the Conoco petroleum business saw profits drop to $480m from $854m in 1991. Diversified businesses earned $241m against $197m in 1991.

Revenues for the fourth quarter of 1992 were $9.3bn, down from $10bn. Revenues for the whole of 1992 were $37.8bn, 2 per cent higher than 1991 after adjustments were made to reflect a new joint venture in coal.

Mr Edgar Woolard, Du Pont's chairman, said business conditions in the US continued to be difficult during 1992. He said there was also a significant weakening in markets outside the US during the latter part of last year, particularly in Europe.

Mr Woolard said that once accounting and other non-recurring charges were stripped out, earnings for the full year were nearly equal to 1991 levels, despite the poor operating environment.

He added that significant gains in the polymers and diversified businesses helped to offset the downturn in petroleum earnings.

Looking ahead, the Du Pont chairman said cost reduction and restructuring efforts – including recently announced plans to control employee health care expenses – were improving the company's global competitive position.

He added that prospects in 1993 would depend largely on the rate of worldwide economic recovery and continued progress in cutting costs.

On Wall Street, Du Pont's share price before the close was $46, down by $¼.

● Union Carbide, the Connecticut-based chemicals group, reported $17m of net income in the fourth quarter of 1992, compared with a loss of $63m in the same quarter of 1991. Net profits for the whole of 1992 were $107m, against a loss of $135m in 1991.

Westpac holders force poll on re-election of chairman

By Kevin Brown in Sydney

WESTPAC, the troubled Australian bank, finally concluded its adjourned annual meeting yesterday, but not before shareholders forced a poll on the re-election of Mr John Uhrig, the recently-appointed chairman.

Mr Uhrig was subjected to further attacks by small shareholders, who forced the adjournment of the meeting last week after angry criticism of the bank's financial performance.

However, Mr Uhrig and another director subject to re-election were both re-elected by a large majority with the support of institutional and corporate shareholders.

Rebel shareholders did manage, however, to block two changes to the bank's deed of settlement recommended by the board to bring the bank in line with federal corporations law.

The changes, which would have abrogated elements of a 19th century Act of Parliament, failed by a small margin to achieve the approval of 75 per cent of shareholders at the meeting, as required by the deed.

Westpac announced on Sunday that Mr Robert Joss, a vice-president of Wells Fargo, the US investment bank, would take over next month as managing director, replacing Mr Frank Conroy, who resigned last month.

Mr Uhrig said the bank hoped to emulate the successful restructuring of Wells Fargo over the last few years. He said the restructured bank was "pretty close to the way we think Westpac should be in the future."

There was criticism of the five-year contract offered to Mr Joss, which includes options for 5m Westpac shares which could be worth up to A$8m (US$5.7m), depending on the bank's share price. However, most shareholders supported the appointment.

Mr Joss faces a significant challenge in turning round Westpac, which has suffered a series of reverses, climaxing in a record loss of A$1.5bn for the year to end-September, after bad debts of A$2.6bn and an unexpected US tax liability of A$106m.

Five directors, including the then chairman, resigned last year after a A$1.2bn rights issue was largely ignored by shareholders, leaving 72 per cent of the shares in the hands of sub-underwriters.

The board lost two more directors earlier this month when Mr Kerry Packer and an associate quit after Mr Uhrig and other directors rejected calls for a significant acceleration of the restructuring programme.

Mr Packer, the Australian publishing entrepreneur, is Westpac's second-largest shareholder with 10 per cent of the shares, half of which is in the form of options.

Campbell's stake in Arnotts 'unlikely to exceed 50%'

By Kevin Brown

ARNOTTS, the Australian biscuit company, yesterday claimed that Campbell Soup, the US food group, was unlikely to hold more than 50 per cent of its shares when a hostile takeover bid closes today.

Mr Bill Purdy, Arnotts' chairman, said the board had been assured that family shareholders who own 20 per cent of the stock would not accept Campbell's offer price of A$9.50 a share.

Mr Purdy said he was convinced that other family shareholders, who own a further 6 per cent of the stock, would also refuse the offer.

He said that discussions with financial institutions had been "encouraging."

Campbell, which owned 33 per cent of Arnotts before the bid, said it received acceptances for 5m shares yesterday, increasing its stake to just under 39 per cent.

The higher shareholding entitles Campbell to increase its representation on Arnotts' board from two to three under a 1985 shareholding agreement between the two companies.

However, a New South Wales court ruled recently that the agreement required Campbell to acquire more than 85.1 per cent of Arnotts before it could take control of the board.

Campbell has said the offer will not be increased, and has dismissed suggestions it will launch a higher offer after the existing bid closes. However, most analysts expect a second offer later this year.

The bid, which values Arnotts at A$1.3bn (US$928m), could also be extended. Arnotts shares, which have traded consistently above the offer price, closed 2 cents higher at A$9.52 on the Australian Stock Exchange.

● MR Michael Nugent, chief executive of Goodman Fielder, the Australasian food group, said there was "no basis" to market rumours that the group was likely to be the target of a hostile takeover bid.

"It is just idle talk as far as we are concerned. There is no basis for it at all," Mr Nugent said. He said the group attributed the speculation to increased interest in food stocks.

Nachi hits Y16bn loss as finance failures bite

By Robert Thomson in Tokyo

NACHI-FUJIKOSHI, a leading maker of bearings and machine tools, yesterday revealed the scars inflicted by diversification into financial business during the late 1980s by announcing a net loss of Y16.4bn ($132.3m) for the year to November and suspending dividends for the first time since 1968.

The company, which reported a net profit of Y307m in the previous period, was also hit by the downturn in capital spending by Japanese manufacturing industry, leading to a 20.9 per cent fall in sales to Y132.4bn.

Nachi was one of Japan's best-known exponents of *zaiteku*, or financial speculation, during the late 1980s when many conservative industrial companies invested heavily in the stock market.

The stock market collapse over the past three years has created large stock appraisal losses and large unreported property losses, undermining core businesses of several leading companies. Nachi-Fujikoshi reported a stock appraisal loss of Y7.96bn for the year.

Along with many other Japanese companies, Nachi established a financial subsidiary during the 1980s, and the parent company was forced to write-off Y5.5bn in loans and guarantees.

"We foresee difficulties ahead, but the company is intending to lift its business performance," said Nachi, which has begun a three-year streamlining programme aimed at reducing its workforce of 4,800 by about 500 people.

The combination of the collapse in asset prices and weak industrial demand has severely weakened the company. For the current year, Nachi expects a pre-tax loss of Y1.8bn (Y4.8bn loss), and sales of Y123bn, down 6.8 per cent.

Restoring faith in a banking system

Japan's CCPC will tackle the industry's problems, writes Robert Thomson

ON ARRIVING at work, staff at the banks' new self-help organisation will be forcefully reminded of the property collapse that triggered Japan's banking crisis.

The offices are on the top floor of a half-empty building in an area of Tokyo which during the "bubble" years of the late 1980s was a thriving business district.

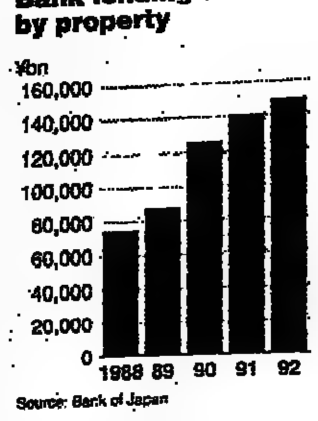
Formally established yesterday, the Cooperative Credit Purchasing Company (CCPC), as the loan buying organisation is known, will open its doors on Monday to financial institutions and their non-performing loans. But the opening has been rushed and staff have had little time to prepare for the task of restoring confidence in the banking system.

In defending the organisation against criticism that it is little more than a paper company, Japanese banking officials argue the CCPC is "a genuine attempt to meet our problems head on".

However, the two executives and 22 staff of the CCPC will handle only a small portion of the estimated Y50,000bn ($405.5bn) in non-performing loans which weigh heavily on he banking system and the Japanese economy.

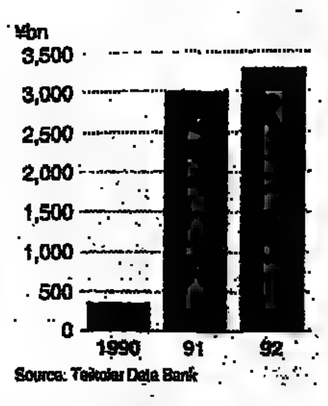
The CCPC's first task will be to enable Japanese banks to write-off a part of their property exposure. If the banks bring in their bad loans before a February 5 deadline, there will be enough time to assess the collateral and name a buying price for the loan credit, allowing the institution to declare, for tax purposes, a loss at the close of the financial year on March 31.

Bank lending secured by property



Source: Bank of Japan

Property industry bankruptcies



Source: Teikoku Data Bank

A second function of the CCPC is to establish a floor under property prices, which have fallen about 40 per cent over the past two years. After collecting the prices of the property collateral, which will be valued by independent assessors, the CCPC will either release details of individual deals or produce an aggregate index to try to stimulate the property market.

The Federation of Bankers' Associations estimates Y500bn in non-performing loans will be handled in the first year of the organisation's life, expected to be 10 years. The federation insists this will alleviate the bad-loan burden, which officially rose by 54 per cent to Y12,300bn over the six months to end-September for the 21 leading Japanese banks.

There is no doubt the CCPC, through its paper shuffling, will speed tax write-offs, but doubts remain about its ability to revive the property market or the banking system. Stronger banks will benefit most, as each of the 162 member-institutions will have to provide the CCPC with the funds to buy its own non-performing loans.

Under tax laws, a write-off can only be made if an institution can prove it has lost money, generally through the sale of the collateral. By providing an independent valuation and, technically, "buying" the loan at market value, the CCPC will enable banks to book a loss, even though the deal is done with its own money.

The finance ministry has indicated these write-offs will be accepted, but has apparently indicated that banks should exercise self-restraint, as tax revenues are declining and the budget deficit is widening. There will also be pressure on the independent property valuers hired by the CCPC, as the higher the valuation of the property collateral, the lower the tax write-off and the higher the apparent floor under property prices. But Mr Masaaki Tanaka, senior manager of the corporate planning division at Mitsubishi Bank, which has played the leading role in establishing the CCPC, said the valuers must be objective in their estimates, otherwise their reputation would be harmed.

Mr Shinichiro Goto, president of the CCPC and a former senior managing director at Mitsubishi Bank, said specialist housing loan companies may be eligible for help after they devise restructuring plans. He insisted the banking industry would look after its own, and not require direct government assistance.

However, troubled Japanese regional banks are already receiving assistance from the Bank of Japan, which has increased its lending at the official discount rate of 3.25 per cent, allowing ailing regional institutions and their commercial bank backers to fund restructuring programmes.

The self-funding character is a point of honour for the banks, as is the independence of the appraisal committee. In assessing prices, the committee will not only value the land collateral, but will examine the assets of any guarantors and review the company's cash-flow and earnings potential.

From beginning to end, the bank which made the initial loan will be held responsible. When the property collateral is finally sold, it will be forced to book another loss if the amount was less than the CCPC appraised value. And, if at the end of the CCPC's life the property is unsold, the same bank will be responsible for finding a buyer.

Hitachi, Texas Instruments in R&D venture

By Michiyo Nakamoto in Tokyo

HITACHI, the Japanese electronics and electrical manufacturer, and Texas Instruments, the US high-technology group, are joining forces in the research and development of next-generation advanced computer memory chips, the companies said yesterday.

Hitachi and Texas Instruments will pool their finances and human resources to begin basic research into the development of 256-megabit dynamic random access memory (dRAM) chips, which would store 16 times the amount of information that can be stored in currently available 16-Megabit dRAMs.

In a similar move, NEC of Japan and AT&T, the US telecommunications group, are moving closer to agreeing to join forces on the development of the 256-Megabit dRAM.

NEC said yesterday that it was likely to agree with AT&T to develop jointly 0.25 micron processing technology which is essential for the mass production of 256-Megabit chips.

AT&T does not manufacture dRAMs but has conducted advanced research in processing technology.

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INTERNATIONAL CAPITAL MARKETS

Government debt auctions will test investors' appetite

Sara Webb reviews the arguments for the convergence of European bond yields

THE two auctions of government debt due to be held today in France and Spain will prove important tests of investor appetite for high-yielding bonds. For as tensions within the European exchange rate mechanism ease, bond market analysts and investors have begun to re-examine the arguments for convergence of European bond yields.

For the first time since April, France has decided to sell Ecu-denominated government bonds, representing the first sovereign issue of Ecu bonds since Denmark rejected the Maastricht treaty on European economic and monetary union and threw the Ecu and European bond markets into a state of confusion.

Spain, meanwhile, is holding an auction of new three, five, and 10-year bonds. The coupons are higher than on the existing issues, providing a more realistic picture of yields in the secondary market.

Dealers and economists believe that both auctions are likely to go well. France is due to issue between Ecu500 and Ecu700m of 8 per cent OATs due 2003. Mr John Hall, economist at Swiss Bank Corporation, described the French Ecu auction as "very significant" adding that "the French are helping to rebuild the credibility of the market". Earlier this week, the Bank of England said it would resume issuing three-year Ecu notes.

Other market analysts have said it is "psychologically important" for the market that France is creating a new 10-year benchmark, rather than reopening an existing issue".

Mr Kit Juckes, economist at S. G. Warburg Securities, said the decisions by France and the UK "show a willingness by governments to get the Ecu bond market up and running again". The French auction is expected to go well, given that the amount involved is not particularly large.

Even though Ecu yields have come down from a maximum of just above 200 basis points over 10-year German bonds in October to around 110 basis points recently, they are still yielding more than 10-year French franc denominated OATs. In other words, it is costing the French treasury more to raise the funds in Ecu than it would in francs.

The Spanish government bond market has seen strong buying interest from UK, US and European investors recently as tensions within the ERM have eased, allowing Spain to cut interest rates on Friday. Investors have been keen to lock into high-yielding Spanish paper on expectations of further falls in yields. Ten-year Spanish bond yields have fallen from their October peak of 14.03 per cent to around 11.75 per cent recently.

"The convergence argument is back on track to a certain extent," says Adrian James, international bond analyst at NatWest Capital Markets.

While ERM tensions appear to have eased recently, analysts point out that if the Irish punt is forced to devalue, tensions could resume. The French franc may also come under pressure again closer to the French general election. More importantly, bond analysts say investors will probably have to wait for the Bundesbank to cut German interest rates before other European central banks can safely follow suit.

Although Spanish bond yields have fallen back dramatically, they are still above the levels seen in early 1992. So the bonds to be auctioned today – the 11.85 per cent bond due 1996, the 11.45 per cent bond due 1998, and the 10.90 per cent bond due 2003 – have higher coupons, reflecting the rise in yields in the secondary market.

New French futures contract welcomed

By Antonia Sharpe

THE new French futures contract based on long-dated government bonds is expected to get a warm reception when it starts trading today on the Matif, the Paris futures exchange.

Traders expect the FLT contract to be popular both with speculators and with investors seeking to hedge their portfolios. It will be one of the few contracts in Europe, apart from those in the Ecu and Dutch markets, whereby investors can play the yield curve up to 30 years.

Daily volume is expected initially to be around 20,000 contracts, but should increase. However, the Matif's 10-year bond future, which trades an average of 120,000 contracts a day, is expected to remain the most active.

The creation of the French treasury bond futures contract has been made possible by the existence of a mature underlying market, itself the result of the government's decision to extend its debt profile in recent years. The total outstanding of cash OATs with a maturity of 15 years and over now stands at FFr178.9bn.

Since 1987, average monthly issuance in France has increased progressively, and in 1992 average volume per month was around FFr8bn. The French treasury has announced that it will issue FFr220bn worth of OATs, of which almost half is expected to be at the longer end.

Four OATS, due 2008, 2012, 2019 and 2023, totalling FFr172.3bn, will be deliverable into the FLT contract, of which the OAT due 2023 will be the cheapest to deliver into the March contract.

● Groupe Worms has joined Robert Fleming, the UK bank, in taking a controlling minority stake in Ifabanque, one of the few Arab institutions still operating in the west.

Banque Worms, part of the UAP group, has ceded its place in Ifabanque, which is two-thirds owned by Kuwaiti and Saudi Arabian shareholders, to Groupe Worms.

UK gilt prices mixed after Bank auction

By Antonia Sharpe in London and Patrick Harverson in New York

UK government bond prices were mixed in the wake of the Bank of England's £2.5bn auction of 8½ per cent Treasury stock. Dealers said that although the market was long of stock at current levels, prospects had improved now that the auction was out of the way.

Cover on the auction was 1.18 times, the lowest since the Bank resumed its auctions in April 1991, but above the all-time low of 1.07 times reached in January 1988. The "tail" was also long at 1/32, which compared with just 1/64 or 1/16 in previous auctions.

After the auction, the Bank of England issued a further £550m worth of existing gilts: £300m of 8 per cent gilts due 2003 at 124⅛; £100m of 2½ per cent index-linked gilts due 2001 at 162 11/16; and £150m of 2½ per cent index-linked gilts due 2009 at 147¼.

The Liffe March long gilt futures contract fell to 100.26 immediately after the auction results but then climbed to the day's high of 101.09. It closed at 101.03, down 1/32 on the day on volume of 55,937 lots.

■ GERMAN government bond prices got some support from the successful auction of 7¼ per cent 10-year bonds for the Treuhand privatisation agency which raised DM4.76bn.

However, dealers said the shorter end of the market underperformed the longer end as remarks by Mr Helmut Schlesinger, Bundesbank's president, on Tuesday dashed hopes of an early cut in domestic interest rates.

The Liffe March bund futures ended 0.12 point higher at 92.83 in average volume of 42,770 lots. Dealers who are expecting a downward correction in the market said the contract could fall to around 92.30.

■ FRENCH government bond prices also came under pressure at the short end as rate cut hopes faded in spite of a firm franc. The market was weighed down by news that Standard & Poors, the US credit rating agency, was considering downgrading the credit rating of six French banks.

The 8½ per cent OAT due 2003 ended down 0.19 point at 103.80 to yield 7.95 per cent, while on the Matif, the March bond futures contract closed at 112.92, down 0.14 on the day in volume of 125,662 lots.

■ US Treasury prices posted gains across the maturity range yesterday morning as the market recovered after Tuesday's unexpectedly unsuccessful two-year note auction.

By midday, the benchmark 30-year government bond was up ⅛ at 104⅝, yielding 7.238 per cent. At the short end of the market, the two-year note was even firmer, up ⅛ at 100, yielding 4.234 per cent.

The lack of demand for the two-year notes on Tuesday caught dealers and investors by surprise, and cast a cloud over the auction of $11.5bn in five-year notes that was scheduled for yesterday afternoon. The early indications, however, were that demand for the five-year issue would be strong, which helped buoy prices.

Supply issues aside, the market's attention was focused squarely on Mr Alan Greenspan, chairman of the Federal Reserve, who was appearing before the Congressional joint economic committee. Mr Greenspan's initial comments that, although the economy was growing at a firmer pace, it was still moving into what he termed were "headwinds," had little effect on sentiment.

FT FIXED INTEREST INDICES

	Jan 27	Jan 26	Jan 25	Jan 22	Jan 21	Year ago	High *	Low *
Govt Secs (UK)	94.45	94.48	93.70	93.99	94.05	87.90	95.54	85.11
Fixed Interest	109.50	109.37	109.31	109.25	108.89	100.68	110.26	97.15

Basis 100: Government Securities 15/10/26: Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Jan 26	Jan 25	Jan 22	Jan 21	Jan 20
Gilt Edged Bargains	178.9	[illegible]	115.0	140.9	124.6
5-Day average	136.7	124.6	122.3	118.6	110.2

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.9077	-0.003	8.77	8.73	8.92
BELGIUM		8.750	06/02	107.5500	-0.100	7.59	7.57	7.84
CANADA *		8.500	04/02	102.7000	-0.400	8.07	8.04	7.83
DENMARK		9.000	11/00	102.5600	-0.410	[illegible]	8.46	9.05
FRANCE	BTAN	8.500	03/97	101.7090	-0.208	7.98	7.63	8.02
	OAT	8.500	11/02	103.9200	-0.060	7.90	7.81	8.09
GERMANY		8.000	07/02	105.6400	-0.130	7.15	[illegible]	7.23
ITALY		12.000	05/02	95.5950	-0.395	13.231	13.37	13.39
JAPAN	No 119	[illegible]	[illegible]	102.7276	-0.091	4.26	[illegible]	[illegible]
	No 145	5.500	03/02	107.6295	-0.037	4.34	4.36	4.55
NETHERLANDS		8.250	06/02	107.5500	+0.350	7.11	7.12	7.26
SPAIN		10.300	06/02	91.9950	+0.270	11.72	11.89	12.43
UK GILTS		10.000	11/96	110-19	-2/32	6.81	7.02	7.22
		9.750	08/02	110-17	+2/32	8.16	8.38	8.31
		9.000	10/08	102-12	-3/32	8.72	8.82	8.59
US TREASURY *		6.375	08/02	99-13	-5/32	6.46	6.57	6.66
		7.625	11/22	104-19	-16/32	[illegible]	7.29	7.37
ECU (French Govt)		8.500	03/02	101.8750	+0.950	8.20	8.23	8.63

London closing *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Controversy hits Sweden's Samurai issue

By Tracy Corrigan

SWEDEN'S Y200bn Samurai bond issue arranged by Nomura Securities yesterday became the subject of controversy when the three other leading Japanese securities houses set a precedent by refusing to participate, citing the aggressive pricing of the transaction.

Their refusal is particularly embarrassing for Nomura because of the high profile of the deal, the largest issue to date in the Samurai market (the Japanese domestic bond market for foreign borrowers).

The controversy has also dealt a blow to the development of a market once seen as a dumping ground for aggressively-priced deals. Under pressure from the Ministry of Finance, the securities houses last year reformed the market by bringing in practices already common in the Eurobond market, such as the fixed price re-offer mechanism and consensus pricing, designed to improve transparency.

Daiwa, Nikko and Yamaichi all told Nomura that they did not see any demand for four-year bonds with a 4.2 per cent coupon and priced at par, but Nomura went ahead with the pricing as planned.

"There are quite a few competing products for Japanese investors, offering yields around that level or better," said an official at one of the securities houses which stayed out of the deal.

They also pointed out that Sweden's recent five-year Eurobond is currently yielding 66 basis points over the JGB yield curve, while the new four-year Samurai issue is yielding only 44 basis points more than the four-year JGB.

The two markets are not directly comparable, as they are made up of different investors, and most traders report stronger demand in Japan than in Europe for yen bonds.

An official at Nomura pointed out that the three securities houses were the only underwriters to decline, while 41 other institutions agreed to join the underwriting group, and added that it had placed nearly half the transaction on its own by the end of the first day.

Meanwhile, new issues in the Eurobond market yesterday were spread across a variety of currency sectors. Finland's successful $1bn global offering, launched on Tuesday, was priced at the narrow end of the indicated range to yield 63 basis points over the comparable US Treasury.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Republic of Finland(a,b)	1bn	6.75	101.573	Nov.1997	0.25/0.2	Nomura/JP Morgan/M.Lynch
BLFA(c)	250	8	101.215	Feb.1998	1.875/1.75	Swiss Bank Corp.
Yamatake-Honeywell Co.(d)♦	100	2.5	100	Feb.1997	2.25/1.5	Yamaichi Int.(Europe)
St George Bank(e)‡	75	(e)	99.8	Feb.2000	0.325/0.1	Bankers Trust Int.
Petrolera Argentina(a,f)	45	11	95	Feb.1996	1.75/0.75	Oppenheimer Int.
YEN						
Heller Financial(g)‡	25bn	(g)	100.325	Jan.1996	1.575	G.Sachs Int./Fuji Int.
SWISS FRANCS						
Crédit Local de France	150	5.25	101.5	Mar.2003	-	Swiss Volksbank

Final terms and non-callable unless stated. *Private placement. ♦With equity warrants. ‡Floating rate note. a) Semi-annual coupon. b) Fungible with outstanding $2bn issued Nov 1992. Plus 69 days accrued interest. c) Borrowers full name: Bayerische Landesanstalt Für Aufbaufinanzierung. d) Final terms fixed on 2/2/93. e) Coupon pays 3-month Libor + 0.45%. Callable and putable at par annually from year four. f) Sinking fund: average life years 3.85 years. Callable on 9/2/95 at 102%, 9/2/96 at 101.75% and 9/2/97 at 101.5%. g) Coupon pays 3-month Libor + 0.4

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 27

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106	106½	-⅛	4.87	ARBED 7 1/2 95 LFr	600	97⅞	98⅞		8.63
[illegible]						[illegible]					

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]						[illegible]				

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]						[illegible]					

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	32	23	24
Other Fixed Interest	2	4	9
Commercial, Industrial	424	189	812
Financial & Property	262	71	467
Oil & Gas	17	11	57
Plantations	0	0	9
Mines	61	7	73
Others	35	5	66
Totals	833	310	1,517

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	106	105	For & Col. PEP Inv Tst	105½		F3.38	–	4.3	–
51	F.P.	–	[illegible]	52	Intl. Food Machinery	61		–	–	–	–
£101½	F.P.	–	£101½	£101½	Mauritius Fund	£101½		–	–	–	–
90	F.P.	–	61	52	OIS Intl.	61	+2	R1.9	2.8	4.2	11.3
–	F.P.	–	2	1½	#Prime People Warrants	1½		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	118½p	115½p	Bristol Water 8¼pc Pf.	118p	
100p	F.P.	-	108½p	[illegible]	Commercial Union 8¾pc Cnv. Pf.	108½p	
100	F.P.	-	114¼	109½	NFC 7¾pc Cv. Bd. 2007	111¾	-¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
25	P.P.	1/3	16	12	Property Trust	12	
50	Nil	15/2	25pm	12pm	Trio Holdings	25pm	+8
3	Nil	24/2	1pm	½pm	West Trust	1pm	

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. r Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Issued by way of rights. ‡ Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Jan. 25
● Last Dealings Feb. 12
● Last Declarations May 6
● For settlement May 17

3-month call rate indications are shown in Saturday editions.

Calls in Amber Day, ASDA, AMEC, Babcock Intl., Barratt Devs., Brit. Airways, Brit. Data Magmt., BP, Britton, Burnfield, Caverdale, Dobson Park, Euro Disney, Hasmocell, A. McAlpine, Mid-States, Porth, Queens Moat Hses., Shell, Taylor Woodrow, Tadpole Tech., Telemetrix and US Smaller Cos. Puts in Dixons and Tay Homes. Double in Babcock Intl.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*597)	550	50	65	77	1	7½	22
	600	3	33	45	8	25	43
ASDA (*63)	60	4	8	12	½	6	8
	70	1	4	7½	7	11½	14
Brit. Airways (*270)	260	11	24	31	1	10	21
	280	½	14	[illegible]	11	21	32
Smkl Bchm A (*489)	475	15	-	-	1	-	-
	500	1	22	36	13	30	41
Boots (*516)	500	16	38	56	1	11	24
	550	1	12	23	24	40	58
B.P. (*241)	240	2½	13	19	½	12	19
	260	½	6	11	20	26	30
British Steel (*69)	60	10	13	16	1	3½	6½
	70	½	7	11	1½	8	11
Bass (*595)	550	50	66	82	1	8½	19
	600	2	37	52	7	24	37
C & Wire (*711)	700	15	43	61	1½	25	42
	750	1	20	38	42	53	72
Courtaulds (*569)	550	21	41	55	2	16	31
	600	2	17	34	32	42	57
Com. Union (*613)	600	15	32	42	1	25	33
	650	1	11	22	40	58	64
Fisons (*220)	220	1½	22	32	2	19	31
	240	½	15	25	23	33	43
GKN (*471)	460	13	28	37	1	23	31
	500	2	9	21	32	50	56
Grand Met. (*456)	420	39	50	65	1	7½	17
	460	1	26	40	6	23	34
I.C.I. (*1137)	1100	40	63	87	1	40	65
	1150	1	33	63	15	77	95
Kingfisher (*549)	500	50	63	72	1	7	18
	550	1	30	42	2	25	40
Ladbroke (*201)	200	2	17	25	3	10	24
	220	1	10	18	18	29	36
Land Secur (*461)	460	2½	33	38	½	13	28
	500	1	7	12	37	39	58
M & S (*323)	300	25	33	39	1	6	11
	330	1½	14	22	8	16	23
Sainsbury (*572)	550	27	42	52	2	15	26
	600	1	15	28	28	40	53
Shell Trans. (*551)	550	3	15	29	2½	25	30
	600	1	4	12	50	66	67
Storehouse (*216)	200	17	26	33	2	6	12
	220	3	15	22	7	14	21
Trafalgar (*98)	90	11	14	18	1	6	9
	100	1	9	14	2	10	14
Utd. Biscuits (*366)	360	7	19	26	1½	19	24
	390	1	7½	14	28	40	44
Unilever (*1120)	1100	23	57	75	1	30	44
	1150	1	28	49	32	60	74
Option		**Feb**	**May**	**Aug**	**Feb**	**May**	**Aug**
Brit Aero (*228)	220	24	35	43	13	29	38
	240	11	25	36	24	42	50

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
BAA (*789)	750	49	68	78	6	16	27
	800	16	39	49	25	37	50
BAT Inds (*987)	950	52	64	84	8½	34	45
	1000	21	37	58	29	59	70
BTR (*557)	550	19	28	37	10	26	30
	600	2½	9	16	46	59	62
Brit. Telecom (*405)	390	21	31	37	4½	10	16
	420	5½	15	21	19	25	33
Cadbury Sch (*471)	460	21	29	39	7½	15	26
	500	5	12	22	34	48	52
Eastern Elec (*420)	400	[illegible]	41	-	5	11	-
	430	9	-	-	16	-	-
Guinness (*472)	460	25	36	45	8	24	32
	500	6	19	30	33	47	55
GEC (*282)	280	9½	18	23	6½	10½	18
	300	3	7½	13	21	23	29
Hanson (*244)	240	10	15½	20	4½	10	14
	260	2	7	10½	17	23	26
LASMO (*162)	160	10	18	23	9	17	22
	180	3½	10	16	23	32	36
Lucas Inds (*141)	140	10	17	22	8½	17	19
	160	3½	10	13	23	30	32
P. & O. (*545)	500	57	70	72	6	23	29
	550	17	35	55	22	48	55
Pilkington (*105)	100	13	20	23	5	11	15
	110	7	12	19	10½	16	21
Prudential (*304)	300	12	18	23	7½	18	23
	330	2½	7	12	29	38	42
R.T.Z. (*656)	650	22	40	55	16	38	46
	700	7	21	34	52	70	77
Scot. & New (*447)	420	31	45	52	4½	12	21
	460	8½	25	31	24	30	40
Tesco (*266)	260	13	20	27	6	15	17
	280	5	12	16	19	26	28
Thames Wtr (*477)	460	24	37	42	4	12	22
	500	5	16	20	36	32	45
Vodafone (*387)	360	34	47	55	4½	12½	20
	390	14	28	37	13	25	33
Option		**Mar**	**Jun**	**Sep**	**Mar**	**Jun**	**Sep**
Abbey Nat. (*378)	360	26	34	41	12	17½	23
	390	11	19	27	29	34	48
Amstrad (*25)	20	6½	7½	8½	1	2	2½
	25	3	4½	5½	3½	4	5
Barclays (*433)	420	30	37	45	24	30	40
	460	10	21	29	50	57	67
Blue Circle (*223)	220	21	27	33	17	29	34
	240	11	18	26	29	42	49
British Gas (*290)	280	18½	21	27	6	13	17
	300	8½	11½	18	16	26	28
Dixons (*226)	220	20	29	32	11	16	23
	240	11	19	24	22	27	34
Eurotunnel (*411)	390	38	55	68	20	32	40
	420	25	40	54	38	45	57

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Glaxo (*688)	650	55	79	98	18	32	42
	700	27	53	71	42	57	66
Hillsdown (*150)	140	19	24	27	7	14	18
	160	8	14	18	17	27	30
Lonrho (*75)	70	9	13½	16	5½	9	11½
	80	5	9½	11½	11½	14½	17
HSBC 75p shs (*546)	500	62	69	81	11	25	34
	550	29	42	56	31	49	58
Nat Power (*306)	300	18	28	33	9½	16	23
	330	6	14	19	29	33	40
Reuters (*1366)	1350	67	100	132	57	85	100
	1400	37	75	105	85	110	125
R. Royce (*117)	110	14½	17	21	7	10½	14
	120	8	12½	16½	12	16	19
Scot Power (*224)	220	12	20	24	6½	9	15
	240	3½	9½	14	18	21	27
Sears (*105)	100	10	12½	16	4½	7	10
	110	5½	7½	10½	10	13	15
Forte (*180)	180	13½	18	22	12	21	26
	200	6½	11	15	26	36	39
Thorn EMI (*817)	800	44	67	76	18	30	50
	850	20	40	50	47	58	79
TSB (*167)	160	12	17	24	8	12	19
	180	3	8	13	21	24	27
Vaal Reefs (*531)	30	3	4	5	4	4½	5½
	35	1½	2½	3½	7	8	9
Wellcome (*902)	900	47	74	100	35	55	68
	950	26	51	79	67	85	94

EURO FT-SE INDEX (*2831)

	2675	2725	2775	2825	2875	2925	2975	3025
CALLS								
Feb	175	128	86	52	27	12	4½	2
Mar	193	151	114	82	57	37	24	12
Apr	-	-	-	112	-	-	-	-
Jun	-	-	-	150	-	-	-	-
Sep	-	232	-	185	-	135	-	95
PUTS								
Feb	5	9	18	33	57	94	137	185
Mar	14	21	33	51	-	-	-	-
Apr	-	33	-	63	-	-	-	-
Jun	-	-	-	94	-	-	-	-
Sep	-	77	-	110	-	153	-	210

FT-SE INDEX (*2831)

	2700	2750	2800	2850	2900	2950	3000	3050
CALLS								
Feb	153	108	69	39	18	8	3	1
Mar	175	134	98	68	45	28	16	9
Apr	191	153	119	90	66	47	32	-
May	209	173	141	111	84	64	45	36
Jun †	220	-	150	-	112	-	-	-
PUTS								
Feb	6½	11	23	44	76	120	169	219
Mar	18	28	42	65	91	128	169	219
Apr	31	42	59	80	107	140	178	-
May	43	57	75	96	120	121	153	198
Jun †	55	-	86	-	125	-	-	-

January 27 Total Contracts 51,746
Calls 36,192 Puts 15,554
FT-SE Index Calls 10,770 Puts 4,985
Euro FT-SE Calls 1,937 Puts 1,200
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Jan 27	Day's change %	Tue Jan 26	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.22	-0.01	128.24	1.00	1.67
2	5-15 years (22)	146.25	+0.01	146.24	1.07	1.54
3	Over 15 years (8)	151.02	+0.04	150.96	1.33	1.05
4	Irredeemables (6)	171.54	+0.15	171.28	2.32	0.00
5	All stocks (60)	142.28	+0.01	142.27	1.50	1.51
	Index-Linked					
6	Up to 5 years (2)	185.95	+0.27	185.46	1.25	0.00
7	Over 5 years (11)	167.92	+0.41	167.23	0.52	0.62
8	All stocks (13)	169.14	+0.39	168.48	0.61	0.55
9	Debs & Loans (62)	124.66	-0.01	124.67	3.20	0.26

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jan 27	Tue Jan 26	Year ago (approx.)
	British Government				
1	Low	5 years	6.59	6.69	8.70
2	Coupons	15 years	8.23	8.24	9.20
3	(0%-7¾%)	20 years	8.55	8.55	9.20
4	Medium	5 years	7.13	7.15	9.50
5	Coupons	15 years	[illegible]	[illegible]	[illegible]
6	(8%-10¾%)	20 years	8.91	8.90	9.23
7	High	5 years	7.26	7.33	9.74
8	Coupons	15 years	8.95	8.94	9.37
9	(11%-)	20 years	9.05	[illegible]	9.29
10	Irredeemables (Flat Yield)		7.38	8.91	9.41
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	2.08	2.17	3.88
12	Inflation rate 5%	Over 5 yrs	3.70	3.73	4.28
13	Inflation rate 10%	Up to 5 yrs	1.23	1.31	3.22
14	Inflation rate 10%	Over 5 yrs	3.51	3.54	4.10
15	Debs &	5 years	8.74	8.74	11.04
16	Loans	15 years	9.81	9.80	10.80
17		25 years	10.01	10.01	10.62

Margins boost as Securiguard rises to £5.74m

By Richard Gourlay

SECURIGUARD, the security and cleaning company, yesterday reported a 14 per cent increase in pre-tax profits. Mr Alan Baldwin, chairman, however, said the US economy was showing only "glimmers" of life and in the UK there was as yet no signs of an upturn.

Pre-tax profits in the year to end-November rose from £5.02m to £5.74m on sales up 2 per cent at £165.11m.

Earnings per share rose 2p to 19p and the final dividend is 5.9p, giving a total of 9.4p, up 10 per cent.

Net debt fell by £3.1m to £9.6m, leaving the company with gearing of about 200 per cent, but interest covered 5.5 times by trading profits, suggesting that the group has restored some order to its balance sheet. The dividend is more than twice covered by earnings.

Margins in the largest cleaning and security divisions suffered, but the smaller communications division, which includes the overnight parcel service, enjoyed an increase in profitability.

While the performance of the cleaning division improved, the US operation was adversely affected by the economic slowdown, particularly in New York where Securiguard has a large presence. The division as a whole made £2.8m operating profits from sales of £65.26m.

The security division was hit by poor sales in the first half when the company said it missed a trend towards cheaper contracts. In the second half, that mistake was rectified, Mr Baldwin said. Overall the division's trading profits fell 18 per cent to £3.45m.

The security division's sales in the same period of 1991 were bolstered by the effects of the Gulf war and in the last period profits were hit by the cost of moving headquarters.

City Link, the overnight parcels delivery business, had a record summer. The personnel division returned a reduced trading loss, down from £703,00 to £552,000.

Aukett plunges into red with £3.88m loss

By Matthew Curtin

AUKETT Associates, the London and Glasgow-based architect, made its first trading loss in its 20-year history and reported a pre-tax deficit of £3.88m for the year ended September 1992. Last time there were profits of £360,000.

Turnover plunged to £8.53m (£16.05m) as the depressed state of the property sector knocked fee income. In addition, the group absorbed £2.74m in redundancy charges, bad debt provisions, and property write-downs, on top of high interest charges.

There is no final dividend. Aukett passed the interim pay-out, and Mr Gerry Deighton, chairman, said dividends were likely to resume only in the 1993-94 year. Losses per share were 20.77p (0.32p).

Mr Deighton said the group would sell its profitable Nathanial Lichfield subsidiary, bought for £1.5m in 1989, to management for £1m because it was the only means it had of reducing borrowings. Aukett would write off £2.4m in goodwill leading to a net loss of £2m from the transaction.

● Results from DY Davies, the USM-quoted architect, also reflected the depressed state of the sector as the group's pre-tax losses increased from £426,000 to £484,000 in the half year ended October 31.

Losses per share were 8.3p (5.4p). There is no interim dividend.

Tadpole/IBM shares deal

TADPOLE Technology has applied to the Stock Exchange for the admission to the official list of 502,289 new ordinary shares.

The shares are to be issued to International Business Machines for a total subscription price of $500,000 (£326,000) at 65p per share. In addition, Tadpole will issue to IBM warrants to subscribe for 2.22m new ordinary shares – equivalent to 10 per cent of Tadpole's fully-diluted share capital.

The deal is the result of negotiations agreed when the electronics company moved from the over-the-counter market to a listing in December last year and announced it had formed an alliance with IBM.

Volex seeks £17.5m to fund expansion

By Peter Pearse

VOLEX GROUP, the electrical interconnection products company, has launched a £17.5m rights issue to fund a further acquisition in the US, the group's capital expenditure requirements and to pay off its £8.2m borrowings.

Furthermore, Mr Howard Poulson, chief executive, forecast that group pre-tax profits would double from £3.68m to £7.25m in the year to March 31 1993. Volex shares rose 24p to 440p on the day.

The group has acquired Component Manufacturing Services (CMS), along with an option – for a nominal $1 – to buy a 40.3 per cent stake in Signmax, CMS's Irish affiliate, for a total $4.7m (£3.1m). Within the next two years Volex will also acquire a North Carolina site, currently leased by CMS, for $720,000.

CMS makes moulded cable assemblies in North Carolina and Massachusetts. It made operating losses of $2.1m on sales of $15.8m in the year to September 26.

It will be merged with Volex Interconnect Systems, itself a merger between Cable Products and Icontec, acquired in January and July 1992 for £14.6m and £4.31m respectively.

Some 60 per cent of CMS's output is in the instrumentation and medical electronics market and will complement the west coast medical business of Mayor, the 60 per cent-owned and Singapore-based data and power cord manufacturer bought in October for £6.5m. The balance – in computers – will bring two or three new OEM accounts, including IBM, to which VIS already supplies data cables.

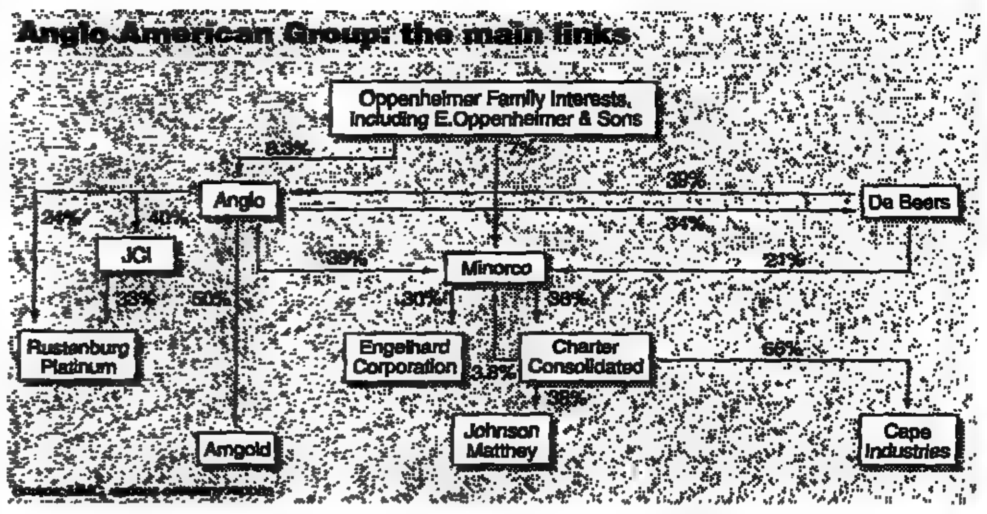
Mr Poulson said CMS would be the last buy in the US for some time, and that the group's focus had now shifted to Europe, in particular eastern Europe and especially cable assemblies.

In the year to March 1993, capital expenditure will reach £7.5m, mainly at the power cable assemblies operations at Pencon in Lancashire and Mayor in Wales. Some £7m has been pencilled in for the following year.

In the cash call, 5.27m new shares will be issued on a 1-for-4 basis at 345p per share. The issue is underwritten by SG Warburg.

All eyes on complicated reshuffle

Philip Gawith and Kenneth Gooding on machinations in the Anglo family



SO FAR we have no clear idea why the Anglo American Corporation of South Africa is reshuffling its world-wide assets again.

All we know for certain is that Charter Consolidated, the UK industrial conglomerate, is deep in negotiations to sell most of its 38.4 per cent shareholding in Johnson Matthey, a stake acquired in 1979 during another Anglo assets shuffle.

As far as most of the investment community is concerned, both Charter and JM are part of Anglo's extended "family," a family controlled via a convoluted chain of minority holdings and the careful selection of directors.

There is also a widespread belief that Anglo wishes to continue its influence over both JM and its US competitor, Engelhard. The question is how might this be achieved.

The complex manoeuvres, outlined below and suggested by some analysts as the answer, says a great deal about the way in which Anglo is perceived to operate.

According to the analysts, Charter might start the ball rolling by selling most of its 29.9 per cent Johnson Matthey stake (just under the level which would automatically trigger a bid under UK takeover rules) back to Johannesburg Consolidated Investment Company, from whence it came 14 years ago.

This would cost JCI about £276m, which would have to be raised outside South Africa because of restrictions on foreign exchange.

To raise the necessary cash offshore, JCI might sell its shareholdings in the Anglo "family" diamond trading companies.

The latest balance sheet values these assets at R582m (roughly £127m). But, even with the diamond market in recession, a good case could be made for their sale at well above book value.

The obvious buyer of these shareholdings would be De Beers, which controls 80 per cent of the world's rough (uncut) diamond business.

However, De Beers is not exactly flush with cash, because of the state of its market, whereas Minorco, the Luxembourg-quoted overseas investment arm of the Anglo clan, has more than $1bn (£0.6bn) readily available.

De Beers could raise some money by selling some Minorco shares back for cancellation.

More money might be switched into De Beers if Minorco bought the former's shareholding in Anglo American Corporation of South America.

This would be a logical purchase of assets because Minorco is being transformed into an operating company with "hands on" control of its mining interests.

Meanwhile, Charter would use the money from the Johnson Matthey sale, plus its present cash pile, to buy back its own shares from Minorco for cancellation. It would then be entirely divorced from Anglo and its influence.

Mr Michael Coulson, analyst at Credit Lyonnaise Laing, suggests that, if something of this sort happened, Minorco would benefit the most.

"Minorco would sell its holding in Charter at well above net asset value, while it would buy back its own shares at a considerable discount to asset value. It would boost Minorco's assets per share and its earnings per share." At the same time, "Charter might think gaining its independence was worth the price."

After all this, Minorco would still have plenty of cash to act as Anglo's spearhead as the group moves back into the Zambian copper industry, which that country plans to privatise, he suggests.

In case anyone needs reminding, it would be inappropriate for Minorco to take the simple route and buy the JM stake itself.

Minorco already has a direct shareholding in Engelhard and anti-trust authorities both in the US and the European Community would certainly object to it having such a huge influence over both platinum marketing groups.

Also (as the chart shows) Anglo's influence extends to Rustenberg, the world's leading platinum producer. Platinum is widely employed as a catalyst in the oil and chemical industries and its use in catalysts to cut pollution from car exhausts is growing very fast.

Mr Rob Weinberg, analyst at Societé Genéralé Strauss Turnbull, says it is possible that anti-trust pressures have reached the stage where Anglo may have to let either JM or Engelhard move outside the group's influence.

Anglo bought its Engelhard shareholding because of friendship between Mr Charlie Engelhard and Mr Harry Oppenheimer, whose family company is still reputed to influence any important decision within Anglo.

"If it comes to a choice, I believe Engelhard will remain with Anglo while there is an Oppenheimer on the Anglo board," says Mr Weinberg.

While it is tempting to believe that a few elegantly-groomed executives at Oppenheimer and Co and Anglo pull the strings which set the potential asset reshuffle in motion, many analysts believe that the impetus came from Mr Jeff Herbert, the former British Leyland executive who was appointed Charter's managing director in 1988.

He is known to be uncomfortable about the way Anglo exerts its influence at long range and is not happy that that influence has forced Charter to keep about 40 per cent of its assets in a passive investment (Johnson Matthey).

It is also said that he positively dislikes the executives who until recently were managing Minorco.

Mr Richard Stuart, analyst with Martin and Co, suggests: "Herbert is forcing Anglo's and Minorco's hands. He has called their bluff. He has thrown down the gauntlet and said he has a bid that is in the interests of all shareholders and challenged them to say no."

Other observers think it is also relevant that two of Minorco's three managing directors departed this month as part of a radical board shake-up which might have been sparked by a massive row – perhaps about the treatment of the Johnson Matthey stake.

There have been previous Anglo "family" quarrels.

When Minorco was given Anglo's approval for a dramatic change in style in 1988, its first move was to bid for Consolidated Gold Fields, perceived in Johannesburg to be another family member.

Gold Fields refused to play ball, mounted a spectacular and often vitriolic defence and Minorco not only lost the battle but is still nursing its wounds.

Anglo must sincerely be hoping that there will be no repetition of that fiasco caused by the JM share sale. However, it would certainly provide some entertainment in these dull winter days for the rest of us.

Data storage buy for Novo Group

Novo Group, the supplier of services to the film and television industries, has, through its Dataguard subsidiary, acquired The Data Reserve, the electronic data storage division of Track Data Corporation of New York. The initial consideration is about £113,000 with an additional profit-related payment of up to £48,000.

NEWS DIGEST

Dyson static at £340,000

ON SHARPLY lower sales J&J Dyson's pre-tax profits in the six months to September 30 were little changed at £340,600, against £347,300 last time.

The company makes refractory products and trailers. It also sells motor vehicles and acts as a builders merchant.

Dyson said that despite the decline in sales to £21m (£25.6m) profits had been protected by the company's strategy of pursuing niche opportunities in its main markets.

The interim dividend is maintained at 2p on earnings per share of 1.65p (1.68p).

Osprey ahead of forecast at £90,000

Osprey Communications, the advertising and marketing services group, reported pre-tax profits ahead of expectations at £90,000 for the six months to November 30.

The outcome was on turnover of £10.9m and compared with profits of £314,000 on turnover of £13.1m last time and a loss of £336,000 on turnover of £25.6m at the May 1992 year end.

Mr F John French, chairman and chief executive, said the result reflected increased gross margins and tightly controlled overheads.

Cash flow had been positive for the period, he said, and the company had been able to repay part of its term loan. However, bank facilities remained almost fully committed.

Earnings per share worked through at 0.43p (1.47p). There is no interim dividend (last time's interim pay-out of 0.65p was the sole payment for the year).

Murray Split net assets rise

Net asset value per capital share of the Murray Split Capital Trust expanded to 141.6p as at November 30 1992, compared with 94.6p three months earlier. Per income share they were unchanged at 51.2p while net assets per zero dividend preference share came out at 115.7p against 112.6p.

Managed in Glasgow by Murray Johnstone, the company is paying, as forecast, a first quarter dividend of 2.65p per 10p income share with the intention of maintaining last year's annualised payment of 10.6p.

Available revenue for the three months fell from £1.03m to £206,184. Earnings per income share dropped to 2.58p (12.83p).

Worthington trimmed to £0.3m

Worthington Group suffered a decline in profits to £305,000 in the first half, because of difficulties within the button wholesaling business and the trimmings operation.

On increased sales of £7.3m (£6.11m) in the six months to September 30, pre-tax profits fell 39 per cent from a previous £496,000.

In order to consolidate the contribution from Hulme Holmberg and Atorp, which were acquired during the period, the merger method of accounting has been used. Consequently the comparable results have been restated.

The directors said that moves made to address the problems were unlikely to make a significant impact until the next financial year.

Earnings per share fell to 1.3p (1.9p).

The interim dividend has been raised to 0.5p (0.3p) with a view to bringing payments closer to the traditional split of one-third to two-thirds.

Royal Life regular premiums down 26%

Royal Life, the life assurance subsidiary of Royal Insurance, yesterday announced a 26 per cent fall in regular premium sales for 1992.

The company blamed this decline to £56m on lower sales of mortgage-related products as a result of the depressed residential housing market.

Total sales were up by 34 per cent from £293m to £392m, but the increase was accounted for by the company's newly-launched single premium with-profits bond, which raised £144m.

Total single premiums, including the with-profits bond, rose by 55 per cent to £336m.

Mr David Parry, managing director of Royal Life, said he was "very encouraged" by the 1992 new premium figures, and added that a "major restructuring" within the company had been completed. The share price remained unchanged on the day at 285p.

Two acquisitions for Industrial Control

Industrial Control Services Group, the electronic safety systems manufacturer, is acquiring two specialist engineering companies which are market leaders in the design, manufacture and servicing of wellhead control systems.

The acquisitions of Great Yarmouth-based Brisco Engineering and Brisco Tech, based in Stavanger, Norway, from Brisco Group are the first for ICS since its flotation in May.

ICS is paying £850,000 in cash for Brisco Engineering which had pre-tax profits of £43,000 on turnover of £4.7m in 1992, and £948,000 for Brisco Tech, which had pre-tax profits of £84,000 on turnover of £8.7m for the same year.

The acquisitions will strengthen the group's existing control systems operations by entry into the wellhead systems market, in particular for underwater projects. The acquisition of BTA is subject to Norwegian government approval.

CST Emerging net asset value 53.85p

CST Emerging Asia Trust had a net asset value of 53.85p per share at September 30 against 49p a year earlier and 63.3p at the December 31 1992 year end.

Net revenue for the six months amounted to £56,811 (£21,163 losses) for earnings per share of 0.48p (0.16p losses).

Allied Textiles eases to £12.7m but core strong

By Peter Pearse

ALLIED Textile Companies, the Yorkshire-based textile manufacturer and processor, saw pre-tax profits ease from £13.2m to £12.7m in the year to September 30.

However, the group lifted its final dividend to 8.1p (7.9p) for a total pay-out up at 12.6p (12.3p), covered 2.4 times by earnings of 30.8p (31.7p) per share.

The contribution from textile activities rose to £8.64m (£8.53m) in an economic climate that the company described as continuing to be "unsettled."

Mr John Corrin, chief executive, explained that order books had been down at two weeks for the past nine months. They would have to rise to six weeks before the company would think of increasing its workforce.

The textiles profits were struck after £800,000 of restructuring costs at four sites, said Mr Corrin.

Mr Corrin ascribed the buoyancy of the textile results to "quality products, quality customers and that about 50 per cent of our products go overseas."

He explained that direct exports accounted for 23 per cent of output, but that this was bumped up by sales to customers who bought Allied goods on the dockside, already documented, cleared and in containers ready to be shipped.

He added that the spread of Allied's textile businesses gave it more protection than other companies enjoyed.

Group turnover grew to £129m (£112m), boosted by about £10m from the £4.2m acquisitions in France and Belgium. On a like-for-like basis it was up 5 per cent.

In the UK, the turnover from wool processing was £22m, carpets £29m, synthetic operations £39m, spinning and weaving £27m, and knitwear £3m.

The restructuring, across all divisions, was "continuing", said Mr Corrin.

Income from financial activities amounted to £4.06m, down from £4.63m. Within that, property sales made £1.33m (£71,000), property rental net of operating profits – where the investment properties are used to shadow tax – came to £1.7m, traded investments to £200,000, and cash on deposit amounted to £2m.

Allied has £27m cash and Mr Corrin is keen to increase from the contribution from Europe. Long-term borrowings were up at £11m (£6m) after the French and Belgian buys – the group borrows in foreign currency to avoid exchange rate risks.

COMMENT

Allied divides its watchers. Some see it as secretive – yesterday it held its first analysts' meeting – and others see it as quiet and canny, saying it takes time and effort to understand. Certainly, it carefully chooses its friends in the City. While some are suspicious of the variability of the profits from financial activities, all agree that the textile results are impressive. The management has an impressive record for picking up undermanaged or otherwise distressed businesses, mending them, putting money in and waiting for the benefits to accrue. It is not afraid to use its cash in recession. Forecasts are about £14m pre-tax for the current year, giving earnings of about 33p and a p/e of about 13.7, which stands at a small discount to the sector.

French bar Crown's radio rescue plan

By Alice Rawsthorn in Paris and Raymond Snoddy in London

THE CONSEIL Supérieur de l'Audiovisuel, the French broadcasting authority, has rejected the latest rescue plan for RFM, the French pop radio station controlled by Crown Communications.

The CSA decided to block the sale to a consortium which included NRJ, another French pop station, because of irregularities concerning RFM's relationship with Crown.

The struggling UK media group has repeatedly said it expected the disposal to go through, releasing much needed funds. The sale price was expected to be less than £4m, although the radio masthead is valued at £12m in the latest accounts.

The CSA said it had taken its decision because Crown had broken French law by secretly raising its holding in RFM above the legal maximum of 25 per cent.

Crown's stake in RFM stands at 70 per cent. The CSA criticised the UK company, which owns LBC, the London-based station, for failing to disclose the full extent of its investment and for failing to fulfil a commitment to sell 21 per cent of RFM to the station's staff.

The collapse of the plan leaves loss-making RFM in a precarious position. There was speculation in Paris last night that it might have to go into administration.

The station has performed badly in terms of both audience and advertising revenue.

The latest debacle is not expected to affect the restructuring of LBC, under which members of the family of Dame Shirley Porter, the Conservative politician will take a majority stake.

Completion of the deal, in which LBC will float free of Crown and banks will take equity in place of debt is believed to be imminent.

Meanwhile, merchant bank Guinness Mahon is having talks with Independent Television News on bidding for LBC's franchise, which will be advertised in March.

Union claims that dispute at Staley has soured relations

US workers lobby Tate meeting

By Jane Fuller

A US TRADE union told shareholders attending Tate & Lyle's annual meeting in London yesterday that a dispute at a factory in Illinois was "souring" the business.

Leaflets handed out at the entrance to the Barbican Centre, where the concert hall stalls were packed for the meeting, claimed that demoralised workers were less productive and that the dispute was giving the sugar and starch group "a bad name."

"Labour relations problems at AE Staley are bad business for you," declared the leaflet, produced by the Allied Industrial Workers. It represents 760 hourly-paid workers at the Decatur factory, where management wants to reduce high costs through flexible working on shifts and in teams, incurring some job cuts.

Mr Ed Feigen, a shareholder representing the union at the meeting, accused the local management of showing "no willingness to negotiate" and of seeking to provoke a strike so that workers could be replaced.

"Is it possible for Staley to get its employees to be more productive and efficient if they are treated like the enemy?", he asked. He urged the main board to intervene.

Mr Neil Shaw, Tate's chairman, replied: "The need to be competitive is the most fundamental requirement. Without that we don't have jobs." He had "absolute confidence" in the local management.

Mr Larry Pillard, Staley's chief executive officer, said: "Staley operates nine other plants where it has an excellent employee relationship.

"At Decatur, they have developed a set of working practices that are simply out of date and not competitive with practices in other parts of Staley or the rest of the industry. Changes have to be made."

He said he believed in "employee partnership" and denied that a lock-out was being sought.

Shareholder reaction ranged from a muttered "hmph, load of nonsense" to a sympathetic request for the management to bring in a peace maker.

After the meeting Mr Dave Watts, union branch leader, said he hoped shareholders would press the board to seek a "common sense solution".

He also refuted a statement made at the meeting that the dispute was not about money, claiming that cuts in benefits would cost workers $3 an hour out of average pay of $13.40.

Staley has offered a 10 per cent pay increase over three years and says workers have been involved in "designing shifts" at the three other corn plants, only one of which is unionised. It denied accusations of "union bashing".

Tate acquired Staley in 1988 for $1.48bn – funded mainly by $800m debt, of which nearly half has been paid off, and a rights issue. Last year its profit contribution, before interest, fell by more than £30m to about £65m.

Declining US performance lay behind Tate's first profits fall for 14 years – it made £189.5m (£230.8m) pre-tax on £3.37bn sales.

One of Mr Shaw's main themes was that with the global sugar market growing by 2 to 2.5 per cent a year and starch by 5 to 6 per cent, "we have no need to do anything other than continue to be more and more efficient."

A worker from a factory in Decatur, Illinois, calls on Mr Stephen Brown, Tate & Lyle's chief executive of nine months, to intervene in a dispute which the union says is bad for business and bad for shareholders, who flocked to the Barbican Centre yesterday. Mr Neil Shaw, chairman (right), told the annual meeting that improved competitiveness was the key to jobs

Bid for RHM was considered by board

TATE & Lyle seriously considered making a bid for Ranks Hovis McDougall, the milling and baking group recently bought by Tomkins for £935m.

Mr Neil Shaw, chairman, replying to a question at Tate's annual meeting, said it had decided not to go outside its core business, where further opportunities remained for global expansion. RHM would not have been value for money as more would have had to be spent to extend a new leg overseas.

A diabetic shareholder asked when the new sweetener Splenda would be on the market after the disappointment of delayed regulatory approval in the US. Although it was already for sale in Canada, he was told the best estimate for its debut in the UK was two to three years.

Another questioner expressed concern about group borrowings of nearly £900m, before cash and deposits, and gearing of nearly 90 per cent on net assets of £720.6m. He asked whether the group would benefit from UK base rate cuts.

Mr Paul Lewis, finance director, said that with most of the debt in US dollars, the average interest rate paid had already come down to 7 per cent. The group was very cash generative and interest payments were covered five times by operating profit. Lower UK rates would reduce the return on sterling deposits.

Richmond Oil & Gas slides £386,000 into the red

By Peggy Hollinger

RICHMOND Oil & Gas, the struggling natural resources company which lost its main asset to creditors last summer, plunged into the red with losses of £386,000 for the six months to September 30.

The pre-tax return, struck on sales 74 per cent lower at £1.5m, compared with a profit of £23,000 last year. Mr Robert Fox, chairman and chief executive, said the depressed results reflected the loss of the Richmond Ranch properties in June.

Stripping out the return from discontinued activities, Richmond incurred losses before tax and exceptionals of £781,000 on sales of just £2,000. There was an exceptional gain of £130,000 due to a surplus on asset disposals, including the sale of an equipment supply business and some oil and gas interests.

Mr David Wilkinson, a director, said liquidity remained tight. However, the group had cut costs by about £900,000, including a reduction in workforce from 200 to 10.

Richmond retained an interest in just 10 producing wells, Mr Wilkinson said. However, revenue was expected "shortly" from other assets on which well tests were being carried out.

An expanded drilling programme was planned in the Panhandle properties in Texas for the latter part of 1993. Mr Wilkinson said this would be funded by the cash flow from successful wells drilled by March 31.

Richmond also announced that it had found an investment partner for its Siberian joint venture. However, the deal had not yet been concluded.

The group said it had completed its drilling programme on the San Juan Basin, which is up for sale. It expected at least $5m for its San Juan interest.

Earlier this year, the SFO launched an inquiry into aspects surrounding Richmond's 1989 flotation.

Pittencrief enters saga of Aberdeen Petroleum via 17% stake purchase

By Peggy Hollinger

THE COMPLICATED saga of Aberdeen Petroleum took another twist yesterday when Pittencrief, the acquisitive communications and natural resources company, announced a deal to acquire a 16.6 per cent stake in the Scotland-based group.

Pittencrief said it had agreed to acquire 8.6m Aberdeen shares at 12.5p each from a private investor, Mr DJ Hughes.

The £1.1m consideration would be satisfied by the issue of 335,000 new Pittencrief shares. Aberdeen closed last night 1p up at 12p, while Pittencrief fell 5p to 314p.

Mr David Hooker, managing director of Aberdeen, said that Pittencrief's purchase had come as a surprise. He gave a cautious welcome to the new investor and said he expected to discuss the "investment in more detail shortly" with Pittencrief.

Mr Douglas Sinclair, finance director, refused to comment on whether Pittencrief intended to launch a bid or play the white knight in Aberdeen's attempt to fend off hostile proposals from US-based Bellwether. The stake was seen as an attractive investment.

Analysts speculated that Pittencrief, which has been reportedly seeking oil and gas assets, had one of two intentions: to bid for Aberdeen or profit from Bellwether's approach.

Reuters launches UK equities service

By Andrew Bolger

REUTERS, the international news and information group, yesterday launched an extensive new UK equities service to challenge Topic, the London Stock Exchange's dominant service.

The Equity Focus service is the repackaging of a service which Reuters first launched at the end of 1991, after the Exchange had been forced to abandon rules requiring companies to channel all stock market announcements through its regulatory news service.

Reuters' new service has been repackaged to appeal to Topic users, and uses the more familiar Epic codes for companies, rather than the Reuters codes. It has also been priced aggressively with a view to undercutting Topic.

Equity Focus, like Topic 2, the Exchange's update of its original teletext service, is based on personal computers. The 1,400 workstations which took Reuters' previous equities service will get a free upgrade.

The new service blends Reuters news and analysis of British companies from all over the world with the full regulatory news announcements.

Mr John Parcell, managing director of Reuters UK and Ireland, said: "Users can bring up detailed prices, news, graphs, and historical information with one simple command."

NEWS IN BRIEF

FARRINGFORD has agreed that Giuliano Lotto and other investors will subscribe for 500,000 5 per cent convertible redeemable preference shares of £1 each at par. The company will not seek a listing for them at present. They may be converted into ordinary shares at any time on the basis of 20 ordinary shares for each preference share. The agreement will be put to an extraordinary meeting on February 26.

NO PROBE: The acquisition by Baker Holding Company of the refractories business of Steetley Refractories from Redland will not be referred to the Monopolies and Mergers Commission. (Jan

PRINTECH INTL: Ochil, a subsidiary of DCC, holds 26.3m ordinary shares in the company (89.33 per cent).

Sea Containers expects an increase to $2.25 in earnings per share

By Matthew Curtin

SEA CONTAINERS, the Bermuda-based cargo equipment and ferry group, has forecast an increase in earnings per share from $1.95 to between $2.10 and $2.25 in the year ended December 31 1992.

In addition, the group is pressing ahead with plans to sell a second $25m tranche of senior subordinated debentures as part of an overall plan to sell $125m as it raises funds to expand its container and high-speed ferry operations.

Mr James Sherwood, chairman, said the group's fourth quarter results would show a modest profit against $0.40 loss per share in the same period in 1991.

SeaCon reported pre-tax profits of $28.5m ($27.6m) in the September quarter.

He noted that 1991 earnings included a $0.62 per share contribution from an $8.2m out-of-court settlement with British Rail.

SeaCon entered litigation with BR over a dispute regarding reciprocal travel arrangements after the container group acquired Sealink in 1984.

Mr Sherwood said that the group expected earnings this year would be higher than last year's "in view of our rapidly expanding marine container leasing business and improved ferry fleet deployment".

Improving market conditions for high-yield bonds in the US had allowed the group to proceed with the total debenture sale, after poorer conditions limited the sale to $100m on November 19 last year.

British Fittings sells Astbury

By Matthew Curtin

British Fittings Group, the loss-making valves, tubes and non-ferrous metals distributor, announced the sale yesterday of Astbury & Madeley, its brass rod operation, and the closure of British Fittings (Non-Ferrous Metals).

Mr Cecil Buckett, finance director, said the group was refocusing on its core businesses.

The sale price for Astbury had not been settled, while the company's year-end results would reflect extraordinary provisions for the closure of the metals operation.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Textile	fin	8.1	Apr 1	7.9	12.6	12.3
Aukett Assocs	fin	nil	-	0.5	nil	1.75
Dyson (J & J)	int	2	Apr 2	2	-	5
Murray Split	int	2.65	Mar 22	-	-	10.6‡‡
Osprey	int	nil	-	0.65	-	0.65
Securiguard	fin	5.9	Apr 6	5.3	9.4	8.5
Smith (WH)	int	4.3	Apr 1	4.3	-	13.4
Worthington	int	0.5	Apr 1	0.3	-	1.4

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡‡Annualised.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- AB Consulting, Farepak, Independent Inv., Jurys Hotel, Kleinwort High Inc. Trust, Korea Asia Fund, MFI Furniture, Prism Leisure, Property Trust, Proteus Intl, Saville Gordon (J), Unitech.

Finals- Cardiff Property, City Site Estates, Derby Trust, French (Thomas), Gresham Telecomputing, Mileys, Partridge Fine Arts, Stakis, Warner Estate, Witan Inv.

FUTURE DATES

Interims-

Bailey (CH)	Feb. 10
Barnato Exploration	Feb. 1
DAB Invs.	Jan. 29
Domestic & General	Mar. 8
English & Caledonian Inv.	Feb. 5
Free State Dev.	Feb. 2
Johannesburg Cons. Inv.	Feb. 3
Lebowa Platinum Mines	Feb. 3
Palmerston	Jan. 29
Potgietersrust Platinum	Feb. 3
Rustenburg Platinum	Feb. 3
Symonds Engineering	Feb. 11

Finals-

TR Smaller Cos. Inv. Tst.	Jul. 26
Temple Bar Inv. Trust	Feb. 16

British Helicopters completes £32.5m buy-out and refinancing

By Angus Foster in London and Bernard Simon in Toronto

BRITISH International Helicopters, the helicopter operator which was owned by Mr Robert Maxwell and has been in administration since soon after his death in 1991, yesterday completed a £32.5m management buy-out and refinancing.

The disposal to management was expected before Christmas but ran into regulatory delays. It is the last trading company in the Maxwell private group of companies to be sold by the administrators.

The buy-out involved £12.5m of equity and £20m of bank debt. CHC Helicopter Corporation of Canada has taken a 40 per cent stake via a £6m equity investment. CHC, one of the largest helicopter operators in the world, wanted full control of BIH but was blocked by the Civil Aviation Authority.

Two venture capital companies, Brown Shipley Venture Managers and Legal & General Ventures, have each taken a 20 per cent stake. The companies' management and employees hold the remaining 20 per cent.

BIH, which Mr Maxwell bought from British Airways just prior to its privatisation in 1986, operates 20 helicopters in the North Sea oil and gas industry as well as a scheduled service between Penzance and the Scilly Isles. It employs nearly 400 people.

Mr Stewart Birt, managing director, said the company would now be able to seek new contracts in the North Sea as well as bid for contracts coming up for renewal.

"The company is much healthier now than it has been for a very long time," he said.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 28.01.93: Pool purchase price £/MWh	Final Prices for Trading on 21.01.93: Pool purchase price £/MWh	Final Prices for Trading on 21.01.93: Pool selling price £/MWh
0030	18.66	19.50	19.50
0100	21.66	22.08	23.96
0130	27.02	22.06	23.93
0200	27.02	22.06	23.90
0230	21.66	19.42	21.16
0300	21.68	19.30	21.05
0330	21.68	19.30	21.06
0400	21.66	17.53	17.53
0430	18.37	17.47	17.47
0500	18.26	17.47	17.47
0530	17.76	17.47	17.47
0600	17.76	17.47	17.47
0630	17.85	17.47	17.47
0700	18.65	17.47	17.47
0730	22.89	17.47	17.47
0800	22.76	17.47	17.47
0830	22.89	17.47	17.47
0900	22.89	20.17	22.00
0930	22.89	20.28	22.09
1000	22.89	20.28	22.09
1030	22.89	20.28	22.09
1100	22.89	20.28	22.09
1130	22.89	20.36	22.16
1200	22.90	20.47	22.27
1230	27.85	20.47	22.27
1300	24.90	20.47	22.27
1330	22.89	20.47	22.28
1400	19.44	20.47	22.29
1430	19.32	17.53	17.63
1500	19.31	17.52	17.62
1530	19.32	17.52	17.62
1600	19.32	20.17	21.99
1630	22.92	23.10	24.99
1700	26.16	26.11	28.07
1730	28.90	26.11	28.06
1800	28.91	26.11	28.04
1830	28.21	26.11	28.04
1900	27.90	26.00	27.92
1930	25.31	23.10	24.98
2000	22.89	21.50	23.30
2030	22.89	20.28	22.06
2100	22.89	20.28	22.07
2130	22.89	17.47	17.47
2200	21.66	17.46	17.46
2230	21.66	17.42	17.42
2300	18.54	17.40	17.40
2330	17.77	17.40	17.40
2400	17.74	17.46	17.46

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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PUBLIC WORKS LOAN BOARD RATES

Effective January 26

Quota loans*

Years	EIP†	A††	at maturity§
1			6⅛
Over 1 up to 2	6¼	6¼	6⅜
Over 2 up to 3	6⅜	6⅜	6¾
Over 3 up to 4	6½	6½	7
Over 4 up to 5	6⅝	6⅝	7⅛
Over 5 up to 6	6¾	6⅞	7¾
Over 6 up to 7	7	7	8⅛
Over 7 up to 8	7⅛	7¼	8½
Over 8 up to 9	7¼	7½	8⅞
Over 9 up to 10	7½	7¾	9⅛
Over 10 up to 15	8½	9	9⅞
Over 15 up to 25	9⅝	9⅞	10
Over 25	10	10	10

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

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■ Impact of the development corporation – the will to get things done .... Page 2

FINANCIAL TIMES SURVEY

LEEDS

Thursday January 28 1993

■ Britain's leading law centre outside London; the new breed of office workers .. Page 3

Helped by a good mix of industry and commerce and by public sector investment, Leeds has weathered recession better than most large cities in Britain. Now the economy is stirring and recovery may have begun. **Ian Hamilton Fazey** reports

Survival of the fittest

IT IS not quite true that Leeds is the English city the recession forgot, but at first glance it almost looks that way. There are tower cranes on the skyline, unemployment is 9 per cent and lower than the national average and house prices have slipped by less than 5 per cent.

"Of course recession has not passed us by," says Mr Peter Coles-Johnson, chief executive of Leeds chamber of commerce and industry. "We know from our resignations last year – 12 per cent of the membership – that more people than usual ceased trading. Normal turnover is about 6 to 8 per cent.

"Life is hard at the moment, but the good news is that so many have survived. We have a broad spread of industry, with many small and medium-sized businesses. That's been our saving grace. Long-term, things look extremely good."

Leeds certainly seems to have got off lightly. There has been more of a knock-on effect from a distressed outside world than internal pain. The reasons appear to be:

- the city's optimum size of about 700,000 people;
- population stability – unlike other northern cities, it is not struggling with declining local tax and spending bases;
- a heterogeneous industrial and commercial mix that allows different sectors to function counter-cyclically to each other or out of phase with the national economic cycle;
- its role as the financial and professional services capital of the east Pennines;
- flexibility of labour – for decades Leeds' sectoral spread has made it normal for people to switch between industries and learn new skills, establishing a change-accepting culture;
- its location on the M62 at the end of the M1, a pivotal point in northern England;
- the proximity of the Humber ports, the north's fast-growing gateway to European markets;
- the Leeds Initiative, a partnership of private and public sectors, has concentrated on improving stations, roads into the centre and corridors through it – fundamental developments which affect the look and feel of a city;
- a large injection of public spending in the form of inward investment.

This last factor has been significant during the recession. In 1989 the government decided to relocate most of the departments of health and social security to Leeds. Mr Jon Trickett, leader of the Labour-controlled city council, puts the direct value of this at £60m of construction work to house the departments and 2,000 jobs.

Indirect benefits include a growing demand for supporting services, from the highly professional to the mundane. All local markets – from office space to sandwich bars – will be boosted.

Another area of large public sector spending is education. The city's two universities – Leeds and Leeds Metropolitan, the former polytechnic – are growing towards 17,000 students each and combined budgets of more than £200m.

Prof Alan Wilson, vice-chancellor of Leeds University, is a geographer, so he can speak with authority on the impact. He puts the economic multiplier at between 2 and 2.5. This includes another major impact on the construction sector: the university has 6,000 units of student accommodation and needs to add 500 a year to cope with growth, a £5m annual capital commitment.

Private sector arrivals in Leeds include British Telecom's mobile communications division, which is expanding to 767 full-time equivalent staff in the city this year. It moved north from Euston Tower two years ago, eliminating London weighting from salaries and reducing rents from £53 to £11 a sq ft.

Mr Paul Pagliari, head of personnel, says the ease of access from Leeds to other parts of the country was another deciding factor, coupled with good labour markets and prospects – since realised – of lower staff turnover.

Location was also considered crucial by Mr Ken Rigby, one of five general managers of Midland Bank, who last year moved out of London as part of Midland's campaign to devolve power and so rebuild relationships with customers.

He now oversees all of the bank's northern operations from Leeds, which he chose in preference to Manchester, because "it is right in the middle of my patch".

Seasoned observers find the relationships between banks and their business customers less strained than elsewhere – another indicator of lower levels of economic distress.

"Leeds has a wide commercial and industrial base and has withstood recession a lot better than the south of England," says Mr Alastair Thompson of Barclays. "We do have customers with problems, but by and large there are many well-managed businesses and we are happy with each other."

Yorkshire Bank, which is now Australian-owned but continues to enjoy a long tradition of local loyalty, claims 20 per cent of the market among small and medium-sized businesses. "There will be casualties in the recovery," says Mr David Knight, chief executive. "Some companies which have got through the recession will have been too weakened by it to take advantage of any upturn, but we will try to help. But there are still a lot of good businesses around."

Nonetheless, London-based banking decisions have been seen as damaging by some Leeds companies. Bank of Scotland, which moved to Leeds in 1985 looking only for corporate business, has picked up several companies that have fallen out with their bankers.

"We had to be in Leeds because of the expansion of its professional community," says Mr Austin Reilly, Bank of Scotland's regional director. "Small or medium-sized owner-managed businesses are our target. Leeds has so many of them."

Mrs Andrea Ingham, of Leeds training and enterprise council, says there are more than 30,000 businesses in the city, of which 17,500 are VAT-registered. Of the latter, 47 per cent employ fewer than five people, but only 14 per cent more than 25. This provides a stable overall structure, but with many opportunities for local mergers and acquisitions.

Deals did, however, slow almost to a stop in the recession. "It became almost impossible to get senior debt," says Mr David Buckley, who heads Ernst & Young's corporate advisory services in Leeds. "Some banks went out of the market. They won't admit it; but they did. They just turned everything down."

He says there is renewed activity now, with companies looking for acquisitions and willing to make decisions. "We expect to see some companies cutting costs and declaring redundancies in the spring. But another tier have done a business plan for the next 12 months and are taking the first steps to doing something.

"We don't know when the recession is going to end but a lot of uncertainty has now gone away," Mr Buckley adds.

Some Leeds companies, such as Waddingtons, the high technology and security printers, have done particularly well despite recession, investing £96m in the last five years, while turnover has topped £200m a year. Its product range now runs from stamps to ultra-thin plastic margarine tubs.

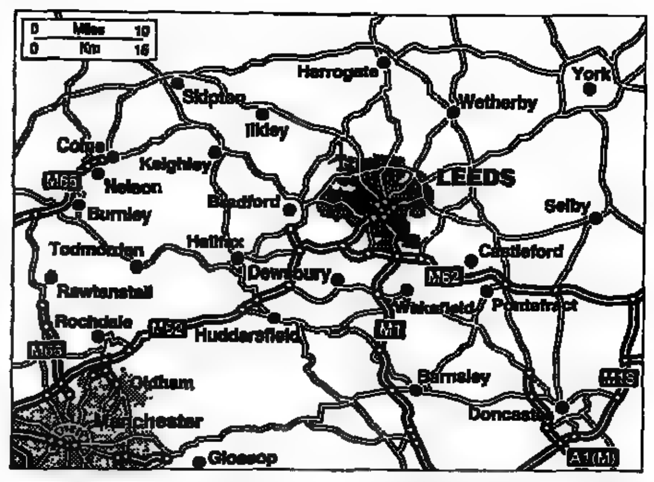
Another printer, Opax, a recent management buy-out from Norton Opax, expects to do well out of printing Britain's new lottery tickets.

Mr Ian Bainbridge, managing director of Computer Services for Industry, says markets are now harder because companies will only buy products which add value or improve productivity. The "nice-to-have-even-though-we-don't-really-need-it" extra sales of the late 1980s have evaporated. But export opportunities – accounting for a quarter of his output – are better after devaluation.

Mr Richard France, of the surveyors Erdman Lewis, says there is a cautious optimism that was absent before Christmas. "Confidence fell so low after Black Wednesday, it could not go lower. The only way after that was up.

"We might all have looked like tortoises to the hares in the south in the 1980s, but we now have a stability they do not and can plan for the future," he adds.

The Leeds Permanent Building Society is just part of the city's wide commercial and industrial base   Photographs by Mike Arron



KEY FACTS

City Council

Chief Officer .... Mr P Smith
Senior Assistant Director of Planning .... Mr P Cook
Address .... Civic Hall, Leeds, LS1 1UR. Tel 0532 348080
Area .... 562 square kilometres

Population

1992 706,300   2000 (projected) 693,700
Age structure .... 0-19 25.4%; 20-64 58.8%; 65= 15.8%

Property

Average house prices ...2-bed terrace £31,250-£41,000; 3-bed semi £48,250-£56,000; 4-bed detached £71,250-£111,750
Prime rents: *Retail:* £120 sq ft (Zone A), £8.50-£10 sq ft (retail park). *Commercial:* £20 sq ft (city centre), £9-£14 (business park). *Industrial:* £3.75-£4.25 sq ft.

Chamber of Commerce

Chief executive .... Peter Coles-Johnson
Address ...Commerce House, 2 St Albans Place, Wade Lane, Leeds, LS2 8HZ Tel 0532 430491

Development status

Grant status/incentives .... EDF- Regional Selected Assistance. Objective 2 - Pudsey. Objectives 3 & 4 – whole city
Advice/loans .. Leeds Development Corp, Leeds City Developmt, British Coal Enterprises, European Coal & Steel Closure Areas Loans, Leeds & Bradford Enterprise Loan Scheme, W Yorks Small Firms Fund, Yorks Enterprise, Yorks Fund Managers.

Location

Distance to airports ......Leeds/Bradford 9 miles, Manchester 45, Birmingham 120, Heathrow 205, Gatwick 230
Travel to London .... road 3hrs 20 mins, rail 2hrs 5 mins
Travel to Glasgow .... road 4 hrs, rail 4 hrs
Travel to Manchester .... road 45 mins, rail 1 hr
Distance to ports ....Hull 56 miles, Liverpool 121, Felixstowe 217, London 191, Dover 257

Local companies

Headquarters in Leeds .... Asda, Dept of Health Managemt Executive, First Direct, Leeds & Holbeck Build Soc'y, Leeds Permanent Build Soc'y, J Tetley, National Breakdown, Sandoz Chemical (UK), United Provincial Newspapers, Yorkshire Bank, Yorkshire Electricity, Yorkshire Water, Yorkshire TV
Major employers .British Gas, Elida Gibbs, IMI, Vickers Defence Systems, John Waddington, Yorkshire Chemicals

Employment structure

Employees in manufacturing/industry 98,380
Service employees .....224,670.   **Self-employed** .....about 40,000
Unemployed 33,492

Source: Information provided by National Startpoint (tel 0785 43835), social, economic and demographic database information service providers.

Impact of the development corporation

The will to get things done

WHEN the Leeds Development Corporation was imposed upon the city in 1988, it did not receive a rapturous welcome from the local authority.

City or district councils rarely like development corporations. They resent the loss of planning powers and funds to these unelected quangos.

In Leeds there was a feeling that a development corporation was particularly unnecessary since the economy was flourishing and property developments would have occurred through market forces.

Mr Brian Walker, chairman of the Labour council's economic services committee, says: "A lot of the developments in the corporation's area would have happened anyway. Many planning consents had already been given.

"The corporation area covers only 1 per cent of Leeds and we were starved for money to develop the other 99 per cent."

Mr Jon Trickett, leader of the city council, says: "We felt at the time that we, the democratically elected representatives, should have decided where money was to be spent. To channel funds into just one area could have created an imbalance in the city. We have some deprived inner city areas which require attention."


Jon Trickett: "We felt we should decide where to spend money"

The city council set up the Leeds City Development Company, a private developer, to act as a rival to the development corporation.

Since then, however, feelings towards the corporation have warmed. Mr Walker now sits on the board of the LDC.

Through the Leeds Development Agency, its economic development arm, the city council has joined with the development corporation and other private sector bodies to form the Leeds Initiative. This umbrella organisation has succeeded in attracting investments to the city.

The development corporation says it has created 6,500 jobs in four years at a cost of £6,000 a job and that this compares with an average cost across the 11 urban development corporations of nearly £30,000 a job.

In some ways the the LDC had an easier task than other UDCs. Unlike Teesside or Tyneside, there are no large tracts of derelict, polluted land which have been laid waste by the decline of traditional manufacturing industries.

The Leeds urban development area is more like Trafford Park in Manchester. It is a nexus of live industries, notably engineering and light manufacturing. The area is in need of refurbishment and environmental improvements but not wholesale redevelopment. Of the 1,300 acres under the LDC's remit, about 300 to 400 acres are considered in need of total redevelopment.

The LDC itself has bought or "assembled" only 43.23 hectares (102 acres). The main part of the developement area stretches south away from the River Aire directly next to the city centre. There is easy access and the area is the obvious place for Leeds' inner core to expand. The LDC has another tract of land in its care – the Kirkstall Valley – which is non-contiguous.

In the main area there are few houses: hundreds rather than thousands live within the LDC's boundaries. This has meant there have been few costly, acrimonious and time-consuming compulsory purchase orders to implement.

Ironically, the LDC has benefited from a lack of funding. When it was set up in 1988, it was to have a life of five years and was given just £15m of government money. This ruled out grand, costly infrastructural projects from the start.

Mr Stuart Kenny, development director of the LDC, says: "Because of the tight funding we never set out a vision or grand design like some development corporations. We never made extravagant claims about how many jobs we would create and never gave out specific investment or job targets. We just tried to do what we could as we went along."

What the LDC has achieved, apart from the jobs created, is to facilitate or enable 3m sq ft of new property to be built. There have been 57 environment schemes approved and 42 environment grants awarded. The LDC has spent around £36m. This, in turn, has generated over £120m in private sector investment, a ratio of nearly four to one.

The development corporation's life has been extended to 1995, with hopes that that it might continue for a further term.

Much of the 3m sq ft of new property is industrial factories in three business parks and refurbishments of older buildings. There has been some B1, light industrial/office projects along the River Aire, together with environmental improvements and the opening of a hotel and some restaurants.

Critics of the LDC say these developments would have taken place with or without a development corporation. However, Mr Peter Hartley, chairman of the LDC, says: "They might have happened, but certainly not in my lifetime. Some of the planning consents had been sitting there for 20 years.

"It is not a question of money making things happen, but of will. We have had the determination to push things through and speed up the planning procedures."

Stewart Dalby

Royal Armouries captured

ONE of the Leeds Development Corporation's great coups has been the relocation of the Royal Armouries from the Tower of London, writes Stewart Dalby.

The armouries had been there for 900 years and among the items added over the centuries were Henry VIII's battledress and an entire suit of armour for an Indian elephant. Conditions at the Tower were too cramped for a proper display and the need to move the collection was recognised several years ago.

Last year, after reading that Sheffield had won the relocation, Mr Stuart Kenny, LDC's development director, phoned the Tower to find that the deal had not been finalised. Together with Leeds City Council, the development agency and private landowners, a financial package was put together to site the museum at the disused Clarence Dock on the River Aire.

The museum should be open by 1995 or 1996. It will cost about £35m and could create 200 jobs. With 1m visitors a year anticipated, the economic benefit to Leeds could be an annual £30m.

Before the Royal Armouries receives its first visitor, the Tetley visitor centre should be under way on a site close to the Clarence Dock. Tetley is the largest brewer in Leeds, with 800 public houses.

The project has yet to be given a proper name. To call it a visitor centre rather understates the scale of the scheme which will include a fully-fledged museum of brewing, costing £6m to build. The museum will be a working one, with craftsmen such as coopers and brewers demonstrating their skills. There will also be an Elizabethan coaching inn, a Georgian gin palace and a Victorian pub.

Mr Graham Kershaw, Tetley's company secretary, says: "We have done our homework and are convinced that there is a demand for this museum." The company is expecting 250,000 visitors a year.

The LDC has been instrumental in building a £600,000 footbridge across the River Aire from the city centre to both the Tetley museum and the site where the Royal Armouries is to be housed.

Unlike Glasgow, Leeds lacks cultural attractions. The Armouries and the visitor centre will be the first steps in developing a larger tourist industry to augment the city's white collar sector and increase the range of non-manual jobs.

Stewart Dalby on the gap between haves and have-nots

City of rich and poor

SHARP differences between the haves and have-nots of modern urban society have become increasingly obvious in Leeds where professional and financial services have created thousands of new, well-paid jobs in banks, building societies, law and accountancy firms since the mid-1980s.

The new jobs give the impression of widespread economic regeneration, but they have been largely confined to the city centre. In some areas, local unemployment has risen in the wake of the decline in old manufacturing concerns.

The trappings and symbols of city centre investment – such as new office buildings, expensive clothes shops and good quality wine bars and restaurants – have highlighted social differences. This is much to the concern of the city council's Labour party leadership.

In Leeds, the contrast is particularly striking because one of the most deprived inner city areas – comprising the Chapeltown and Harehills districts – abuts the city centre.

From the top of Chapeltown Road, with a Caribbean restaurant on one side and a Yugoslav Social Club on the other, one can watch completion of the gleaming new Department of Social Security building, locally dubbed the "Kremlin".

The benefits agency of the DSS and the Department of Health executive are being, or have been, relocated to Leeds. It is expected that 2,000 jobs will be created by the moves but how many will go to people in Chapeltown is debatable.

Unlike the Gorbals district of Glasgow, where large numbers of socially deprived people were moved to peripheral housing estates, Chapeltown-Harehills has not been broken up and about 31,000 people live there in 11,000 households.

Mr Roy Dean, manager of the Chapeltown Business Centre says: "The population has been roughly the same for some years. There has not been much net emigration, but the ethnic mix might have changed a bit."

About a third to a half of the population consists of racial minorities. Broadly, people of Afro-Caribbean origin live in Chapeltown and those of Asian descent – notably from Bangladesh – live in Harehills. The Bangladeshis are the most recent arrivals in a long history of immigration into the area, which is still a patchwork of minorities, though Afro-Caribbeans and Asians dominate.

The district has many large, once grand, Victorian houses divided into flats, as well as terraces of back-to-back cottages.

Chapeltown is characterised by the usual indices of deprivation. There is high unemployment – 30 per cent overall and more than 50 per cent among ethnic minorities. There are more children per family than in other areas of Leeds – and more single parents.

There is a higher proportion of rented accommodation and fewer households with a car; a notorious red light district; a high level of crime; and a rising trend of drug-related problems and criminal activity.

This mix of deprivation and racial tension erupted in riots in 1981, said at the time to be copycat riots after Toxteth in Liverpool and Brixton in London, but Mr Dean, a social worker in the area at the time, believes they were the result of frustration at the lack of attention the area received.

"There was just too little money spent on the housing stock, on jobs and on education," he insists.

A government inner city task force – a team of civil servants and business people set up to promote and help channel funds to inner-city training and employment – was established in the mid-1980s. It supported more than 100 projects, spending about £1.6m directly.

The task force has recently been wound up, with some programmes taken over by the Leeds Development Association. Through its business centre, the LDA runs 15 workshops and advises on training and "self-build" initiatives.

Much has been done in terms of brightening up shops, building new homes and refurbishing old ones. However, Mr Dean says: "It is a long haul and the problem does not just go away. At the heart of it is unemployment. There is a lot of retail business, but hardly any manufacturing or other commercial activity.

"Many of the young people here have never had any work and see little prospect of getting any. Outside the bookmaker's you will see young men hanging around. Some of them will have mobile phones. They will be doing drug deals. That is the only kind of work there is for them."

Chapeltown may be the most deprived area of Leeds' run-down areas but it is not the only one.

Mr John Siddall, head of the LDA, says: "I estimate that, of the Leeds population of 700,000, more than 100,000 live in what can be described as deprived inner city areas. They represent one of our greatest problems. Because Leeds is perceived as a flourishing city with average overall unemployment levels we get little help from the government."


John Siddall: "We get little help from the government"

Leeds is not an assisted area and therefore has no access to "Brussels money" such as the European regional and social funds. This year it also failed to win money from the City Challenge programme, now abolished by the government, which is saving money by cutting urban funding.

Mr Jon Trickett, leader of the council, says that the inner city areas are one of Leeds' greatest problems. He chairs the Leeds Initiative, which links the public and private sectors to find ways forward through the difficulties.

"Increasingly, people in these areas are being left out of the economy. A priority is to provide training and incentives so they can get jobs and be part of the city's development. It is difficult. We have only a little urban aid. We get around £5m but even that is being cut," he says.

With Leeds' very success hindering access to public sector funds, the hope is to find local solutions which will help wealth spill outwards to Chapeltown and other deprived areas. Mr Trickett does not hide his anxiety at the possible consequences of failure.

PROPERTY

'It'll pick up in time'

LEEDS is not unique among large British towns and cities, but it is a rarity in one respect. Despite the growth of service industries during the 1980s, it did not enter the recession with a surplus of new office space arising from speculative building, writes Stewart Dalby.

Mr Robert Firth of Bernard Thorpe, a leading Leeds estate agent, estimates that if purpose-built properties such as the 400,000 sq ft building for the benefits agency of the Department of Social Security and other pre-let properties are left out of the reckoning, there is about 700,000 sq ft of office or light industrial (B1) space on offer out of a total stock of some 10m sq ft.

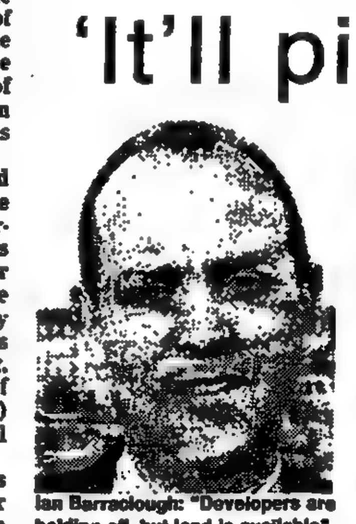
Much of this, however, is old, second-hand stock for which there would not be a great demand even if there were not a recession.

Mr Firth says: "There is around 150,000 sq ft of new B1-type properties ready for moving into. The take-up of such space in 1991 when recession was well and truly with us was around 200,000 sq ft a year. At the height of activity in the late 1980s the take-up of office space was around 400,000 sq ft a year. You can say there is an underlying shortage of this type of property in Leeds city centre."

In industrial properties – such as B2-type premises for manufacturing industry and B8 for warehousing and storage – the situation is only slightly easier.

Mr Michael Haigh of Knight, Frank & Rutley estimates 700,000 to 900,000 sq ft is available for B2 and B8 premises. Much of this is older property. There is about 300,000 sq ft of newer buildings.

The situation with industrial property was helped by the arrival in 1988 of the Leeds Development Corporation. Many of the developments it facilitated have been industrial buildings. Specifically, the development corporation has helped build three small industrial estates.


Ian Barraclough: "Developers are holding off, but land is available"

Lettings for offices and factories are slow because of the recession. But one result of a lack of surplus in both sectors is that prices have held up. Mr Firth reckons the peak for offices was £19 a sq ft in 1990.

"Clients are looking for special deals and rent holidays. But for prime sites we are asking and getting £18 to £19 a sq ft for letting," he says.

Mr Haigh says: "The market is quiet but for basic B8 warehousing properties, rents are holding at around £4 a sq ft."

On the retail side, it seems much the same. Rents have dropped from a peak of £166 a sq ft for prime zone A rents to about £140 a sq ft. But there seems to be remarkably few shops to let in the prime areas.

The lack of surpluses in the three commercial property market segments is due neither to Yorkshire caution nor because the arithmetic did not make speculative building look attractive to developers. Uncertainty about how the city council wanted Leeds to develop is to blame, according to Mr Ian Barraclough, the regional managing partner for Bernard Thorpe in Leeds.

He says: "In the mid-1980s the sums certainly stacked up for developers. Rents were £8 for prime properties and this was ample for a good profit. But investors were unclear where to develop.

"The inner core – a half square mile of offices – had been largely developed, although renovations and refurbishments continued to come up. The council wanted to keep the area immediately to the east of the inner core for shopping.

"To the immediate north was the university, the hospitals and the administrative area. The council decided new developments should be to the west around the central station. Two large sites, one of 8.5 acres and another of six acres were earmarked."

On one of these, Coopers & Lybrand last year agreed to take 70,000 sq ft of space in a Postel scheme in Wellington Street. This was considered a great coup for Leeds.

However, 1987 saw the introduction of what Mr Barraclough calls the Use Classes Order which brought in the business class (B1) property classification. This meant that properties which could once only be used as factories could be employed for a variety of purposes including offices.

In 1988, the Leeds Development Corporation was established with a remit to develop a large area to the south of the city centre.

The effect of these two events was to switch the emphasis away from the west, around the station, towards the south of the city centre on both banks of the River Aire. There has since been considerable development there, including a new headquarters for KPMG Peat Marwick, Asda's headquarters and computer centre, as well as a new hotel and restaurants.

Mr Barraclough says: "Developers are holding off at the moment, but a lot of land is available. There is probably room for another 1m sq ft of properties along the river banks. The area around the station will pick up in time."

Another project is the proposed development of a large-scale out-of-town business park. Curiously for a big city such as Leeds which has expanded in recent years, it has only two small industrial estates. These are Lawns Wood and the Arlington Business Park. They amount to less than 18 acres between them.

A new road linking the A1 with the M1 near the city will pass by a site of about 200 acres which has been earmarked for development. While much will be for housing, there could be 70 acres of commercial development. GMI Rovinian, a local developer, has an option to develop the commercial land.

Mr David Pollock, a partner in GMI, says: "Now that the A1-M1 link is definitely going ahead, the business park will almost certainly happen – within the next 10 years."

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Robin Smith: "We don't sell on price; we sell on quality"

Law firm	Gross fees £m	Fees per fee-earner £'000	Profits per partner £'000	Rank in UK (gross fees)
Dibb Lupton Broomhead	28.8	87	166	1
Hammond Suddards	20.1	98	163	2
Booth & Co	17.4	97	139	4
Simpson Curtis	11.7	91	150	12
Eversheds Hepworth & Chadwick	10.6	75	113	15
Walker Morris	9.8	71	104	18

Britain's leading regional law firms

Leeds has six firms in the UK's top 20 outside London, three of them in the top five. Source: Legal Business

The city heads a legal regional table, reports **Ian Hamilton Fazey**

Strong arm of the law

THE POSITION of Leeds as Britain's leading law centre outside London was confirmed this month when Legal Business, a trade magazine, published its latest league table.

Ranked by annual gross fees, Leeds has six firms in the top 20, three of them in the top five.

The three giants are Dibb Lupton Broomhead, Hammond Suddards and Booth & Co, respectively in first, second and fourth place. The three firms on the next rank are Simpson Curtis, 12th, Eversheds Hepworth & Chadwick, 15th, and Walker Morris, 18th.

Gross fees ranged from £28.8m for Dibb Lupton Broomhead to £9.8m for Walker Morris, but will be surpassed this year. Mr Robin Smith, head of Dibb Lupton Broomhead, says his firm's sales are running at an annual £36m, up from £22m two years ago.

The corporate law industry is a good one to be in, with counter-cyclical elements that allow recession to be weathered. For example, insolvency and litigation come into the ascendancy in bad times, when corporate finance and merger and acquisitions markets falter.

However, the league table flatters Leeds because neither Dibb nor Hammond Suddards is entirely in the city, earning fees also in Manchester and Sheffield in Dibb's case and in Bradford, from where AV Hammond leapt to take over Last Suddards in Leeds in 1988. Each also runs a London office.

This would put Booth & Co at the top of the league if it were based on single-city offices – not that this makes Booths either provincial or parochial.

More than half its work is in the financial sector and spread widely: this month it won a competitive tender against rivals in all the big cities to handle all non-property legal work in England for Scottish Equitable.

Simpson Curtis, Eversheds Hepworth & Chadwick and Walker Morris also operate only from Leeds. In contrast, Broomheads was Sheffield's leading law firm when it merged with Dibb Lupton in 1988 and work is still spread evenly, in terms of numbers of fee-earners at desks, between the two cities.

London's rents have dropped, but Leeds still has the edge on salaries

There are about 220 staff – 105 of them fee-earners – in each place. The firm has another 149 people in London, 69 of them fee-earners, and 50 in Manchester, half of them solicitors. There are also 110 back-office workers in Bradford.

This gives Dibb a payroll of 750 people, making it a very large business indeed. Hammond Suddards has about 620 in total, of whom 250 are Leeds and 50 in London. Bradford back-offices house the rest.

However, all of the firms have a national outlook. They grew out of demand from regionally-based clients, but are marketing themselves much more widely now. Hammond Suddards, for example, handles all of ICI's environmental and planning work.

All have at least doubled in size in the past five years. Size matters: it enables them to house many different types of specialist and pursue a "swings and roundabouts" policy in changing markets.

Price advantage was one driving force for growth, as London prices went silly for northern commercial clients in the latter half of the 1980s.

Even though London rents have dropped, Leeds still has an edge. Mr Peter Thompson, managing partner of Eversheds Hepworth & Chadwick says salaries of supporting staff such as secretaries and legal executives are several thousand pounds per head per year more in London than Leeds, a situation that is unlikely to change.

Mr Trevor Lewis, managing partner of Hammond Suddards, says anewly-qualified solicitor costs about £5,000 a year more in London than in Leeds. Typically, what costs £150 an hour in legal fees in Leeds costs £50 more in London.

Mr Smith puts the price advantage of a highly experienced lawyer's time even higher if the price is carried into London itself. "We can provide the same quality in our London office at a price which makes much more sense in the market. We reckon we can charge – in London – £100 an hour less than some of the big City firms for the same level of advice," he says.

That is because back-office work is carried out in Leeds, Sheffield or Bradford, where overheads and staff wages are lower. "But we don't sell on price; we sell on quality," Mr Smith avers. Even so, Dibbs is winning a lot of work from hard-pressed south-east corporate clients looking for savings.

Specialisation has also helped firms to develop market leadership in particular niches. In 1987, Eversheds Hepworth & Chadwick was one of the first anywhere into environmental issues, poaching lawyers from local authorities – the enforcers of green law – to act instead for companies so they could get on the right side earlier of tightening legislation.

Simpson Curtis has recently carried its fight into London too. It has three partners there in new offices near St Paul's, with another two on their way.

Mr Martin Shaw, senior partner, has also started a drive against London-influenced "macho" practices. "When you're doing a flotation or acquisition, why do meetings have to start at 5:30pm and go on all night? What are people trying to prove? There is no need for it and it doesn't impress clients.

"Our clients are now much more sophisticated. They have got over the mystique they used to associate with the law and question why we have to do things in certain ways. They want to see efficiency. And we have to demonstrate value for money, to give the client more than he expects."

"Why do meetings have to start at 5:30pm and go on all night?"

All the law firms have trimmed in the recession, but, paradoxically, have never stopped recruiting qualified people. The drive to reduce numbers is about efficiency, shedding indirect staff and less able partners. "We are all investing heavily in buildings and technology to push up productivity," Mr Smith says.

"None of us is part of the inner circle of City of London institutions. We sell our services to clients who, in the main, make and sell things. This shapes the way we do things ourselves. We see ourselves as no different from any other commercial undertaking."

Mr Lewis says Leeds' modern legal industry probably began about 10 years ago, when London prices started to escalate. That was when AV Hammond "went entirely commercial", dropping all criminal and matrimonial work.

Though everyone claimed to be as good then as they are now, all know they are in a new, professional league, according to Mr Thompson.

All acknowledge that competition among themselves has been a strong force for change and better practice. It has also attracted clients. "If you want to buy an antique, you go to a place like Harrogate where there are enough dealers to create a genuine market," Mr Lewis says.

"Competition has never been tougher," says Mr Shaw. "There is serious undercutting, including loss leaders being offered to win other business."

Some of those City institutions make have to look to their laurels.

Emergence of a new breed of skilled office workers

Phone-based industries buck trend

A NEW type of skilled office worker is emerging in Leeds. She or, not infrequently, he, is familiar with computers and how databases work, finds keyboard work easy, has a good telephone manner and an ability to relate quickly to customers on the phone, writes Ian Hamilton Fazey.

Most of these office workers are young and adaptable, with women in the majority, though plenty of men are also to be found in the offices concerned. They are not so much selling as servicing. Jobs created are already in the thousands, so a large pool of experienced labour with transferable skills is growing.

The companies involved all run telephone-based service operations and three in particular – First Direct, National Breakdown and Club 24 – stand out for bucking the UK's recession in the last two years.

But why in Leeds?

Mr Kevin Newman, head of First Direct, the 24-hour, direct access telephone banking subsidiary of Midland Bank, says there was a very good reason for setting up the UK's first such operation in Leeds – the way that local people talk.

A study of dialect showed that the Leeds accent offends no one. It is not strong "Yorkshire" and sounds neither northern nor southern, nor Midlands, nor Scottish. This is an important marketing consideration if Scots are likely to be put off by Cockneys or everyone may possibly be discomfited by Brummies or Scousers.

"We also needed a large conurbation with a large labour force, where people were familiar with the financial services sector," Mr Newman adds. "The other factor was an immediately available single-storey building of 50,000 sq ft. Leeds had one."

First Direct's decision seems to have been vindicated by sheer speed of growth. That the company hit the right spot in the market is shown by 360,000 people opening accounts in the first three years. Customers are able to do all of their banking transactions by phone, at any time.

New accounts are rolling in at a rate of 10,000 a month, but the Leeds labour market seems easily to have met the recruitment demands this has created. Jobs have gone from zero to more than 1,000 now, and Mr Newman expects to take on another 300 people this year.

The company soon outgrew its 50,000 sq ft and took on 20,000 sq ft more. More expansion is envisaged.

Very similar skills are needed by workers at National Breakdown, the Leeds-based vehicle recovery and roadside servicing business. Its chairman is Mr Ernest Smith, an indefatigable 46-year-old who has been putting competitive pressure on the Automobile Association and the Royal Automobile Club for the past [illegible] years.

Unlike the AA and RAC, National Breakdown does not employ its own patrolling repair and vehicle recovery staff. Instead, it uses a 1,500-strong network of independent garages throughout the UK. It relies on computerised databases and the telephone to operate.

The company has been extraordinarily successful: sales were £12,500 in 1973, but are £70m now; it employs 550 in Leeds, and won the race against the AA and RAC to achieve the BS5750 quality assurance standard. There is a perpetual waiting list of would-be agents, so none can afford complacency .

National Car Parks bought out Mr Smith's two partners in 1984 but he remains at the helm as a minority shareholder. He has just brought in Mr Tim Ward from Visa – another business relying on telephones and computers – as managing director.

Mr Ward will run the UK business while Mr Smith concentrates on Europe, where he is building a similar network of agent garages, running the operation from Strasbourg.

The Club 24 collection department – flexibility with modern technology

In Leeds, National Breakdown now handles a third of British Telecom's telephone paging calls. This uses the same type of office skills as those needed by National Breakdown and First Direct.

This use of National Breakdown's skills to process other companies' business is known as "outsourcing" – and nowhere is there a better example of it as a growth industry than at Club 24, near Leeds city centre.

Club 24 started more than 30 years ago managing customers' budget accounts in-house for Hepworth and Burtons, the mid-range men's tailors.

By the mid-1970s, it had developed into a financial services business and was incorporated as Club 24 in a joint venture with Forward Trust. The name came from the formula for calculating credit limits – 24 times the monthly sum any customer was prepared to pay.

In 1985, Hepworth took full control and three years later – when Hepworth had become Next – Club 24 had expanded, operating in-store credit for several high street store chains and handling 2.3m accounts.

The business ran into trouble as recession bit because of the exposure involved in Next carrying Club 24's debt on its balance sheet. To survive, Club 24 has dropped out of financial services but has turned itself into an outsourcing bureau – managing credit or any other type of high-volume, telephone-based operation for other companies, but not carrying the risk of any debt involved on its own books.

Thus, Cellnet uses Club 24 as sole supplier of support administration systems for its drive into consumer mobile telephone markets; Kingfisher to manage its credit business; and the Co-operative Bank to process the fixed term loans it sells through retail outlets.

New business includes one-third of British Telecom's radio paging and credit management for Yorkshire Electricity. Debt collection – for other people – is also a growing business.

The effect on jobs has been dramatic. When Next was in trouble and Club 24 with it, more than 200 jobs were shed and another 300 were threatened. There are more than 600 jobs now and numbers are growing.

All three companies have therefore enabled the Leeds labour market to make a telling point about its capacity for training and flexibility with modern technology.

Jobs have gone for ever in the now-empty warehouses where Hepworth suits were made up but, in less than a generation, a substantial part of the labour market has adjusted to a different type of demand. The social and economic processes involved could well repay serious study with lessons for elsewhere.

Why Leeds needs to develop itself as a tourist destination

Hotel guests spoilt for choice

NEVER before has Leeds had an oversupply of hotel rooms. But, by the end of next year, that is what it is about to get. The stock of good quality bedrooms for international business travellers will then have increased by nearly 80 per cent in 10 years.

The city centre's present stock is just under 1,000 rooms. The Marriott chain will open a 245-bedroom hotel in September and the Copthorne will join the market with 150 new bedrooms 12 months later.

The prospect of oversupply seems to have awakened the Leeds Hotels Association to the need for better, co-ordinated joint marketing. The advent of new tourist attractions such as the Royal Armouries and Tetley's brewing industry visitor centre will help fill some rooms at weekends, but the city has now embarked on a critical self-examination about what else it has to offer.

One of Leeds' problems is that it winds down rapidly in the early evening. This in part a consequence of many affluent people living outside the city in attractive, easily accessible countryside or towns such as Harrogate, Otley and Wetherby, but it is also a function of size.

At about 750,000 people in the conurbation, the market is less than a third the size of Greater Manchester's, which consequently has a livelier night-life, a wider range of entertainment and leisure, and the "feel" of a 24-hour city.

Leeds is not short of good theatre and culture but lacks a critical mass. Good restaurants, such as La Grillade, Sous le Nez, 42 The Calls and the new Leodis, could compete anywhere in the world, but walking through the city at night is often a lonely experience.

"Leeds has always been seen as a business destination but it can – and must – also develop itself as a tourist destination," says Mr Robert Kirby, general manager of the Bass group's Holiday Inn and a driving force of the hotels association.

Walking through Leeds at night is often a lonely experience, despite the theatres and restaurants

Mr Kirby says the hotels, city council, industry, commerce, the two universities and the Royal Armouries must work together on marketing. The association wants to see a conference and exhibition centre developed. It would cost about £15m and would probably have to be built near the Hilton Hotel – not far from the Tetley project and the Royal Armouries.

The Hilton, with 210 bedrooms, will remain Leeds' biggest hotel until the Marriott opens this year. It has long scored over rivals – such as the Queens at Central Station and the Metropole in the commercial quarter – by being "modern", but while competition has forced refurbishment of older hotels, the general shortage of rooms has been a cushion for all.

The Holiday Inn – which opened three years ago – has provided a foretaste of intensifying rivalry, as has the development of 41 The Calls – with a good restaurant next door – in formerly derelict warehouses along the River Aire.

Mr Kirby says that despite recession, Holiday Inn achieved 65 per cent occupancy in 1992 at an average of £65 per room, net of VAT. Occupancy rates were 52 per cent and 45 per cent in the two previous years. On the way, Mr Kirby picked up six quality or training awards.

He is now urging the association to spearhead a total quality management drive throughout the city, involving hotels, restaurants, shops and even taxis. By tying in with Leeds training and enterprise council, he thinks the hotels should also be able to help upgrade skills throughout the service sector.

He trained initially as a chef at North Lindsay College, Humberside, a centre of excellence in food industry education, but learned about quality through working in Switzerland and Italy.

"We hope the oversupply will be absorbed as Leeds comes out of recession," he says, "but we have to help things along by improving what we offer to both the business and tourist markets.

"There is a huge potential for tourism, which the new developments will highlight, but we cannot sit back and wait for things to happen. The road to excellence is always under construction."

Ian Hamilton Fazey

Heavy selling hits New York cotton market

By Laurie Morse in Chicago

NEW YORK Cotton futures struggled to catch a footing today after a three-day price slide that left the nearby March contract down its 2-cent a lb limit on Tuesday and down another 2 cents in early trading yesterday.

The plunge ended a 2-month-long rally that was built on perceptions that while there were abundant global supplies of cotton, the only bountiful source of high quality cotton in the world was the US. New York Cotton futures specify delivery of top-grade Memphis cotton.

While the assumption of short supplies of high grade cotton was correct, analysts say, the rally was deflated by a government report Friday that showed an inordinately large number of long positions in the cotton futures market were held by speculative traders. In futures jargon, that meant that the cotton futures had been bought by "weak hands" and not commercial interests, leaving the market vulnerable to a sell-off.

Smelling an easy kill, commodity funds and other dealers triggered the sell-off Monday, successfully forcing speculative longs out of the market as prices tumbled.

Cotton futures for March delivery bounced off the 57.80 cents a lb level at midday, with analysts noting substantial buying interest buy domestic cotton mills and Asian importers as the prices reached attractive levels.

The quality concerns had driven March cotton futures from about 58 cents a lb at the start of the year to over 63 cents late last week. The 5 cent loss since Friday's close has come amid heavy trading volume. The contract low of 51.32 was set in October, and few expect a return to that price.

Mr James Steel, senior commodities analyst with the brokerage firm Refco, believes the week's wash-out is near bottom, and that fundamental demand for high quality cotton will again push prices higher. "I am unreservedly telling my clients to buy this dip," he said.

China, one of the world's largest cotton producers, and also a net importer, is in the process of harvesting its crop. Drought and boll weevil pests have made China's crop production estimate a controversial 21m bales, according to the US Department of Agriculture.

Mr Steel says regardless of the Chinese crop size, it is fair to bet that Chinese crop quality will be poor, further widening the spread between world and US cotton prices. Traders are also aware that while there is a world cotton surplus, more than half the world's stocks are sitting in Asia and China, with fewer than 4m bales in storage in the US.

Export boost for Chicago soya futures

By Laurie Morse

US SOYABEAN futures got a boost from news of export demand and record domestic use of soyabean meal, but Chicago's maize futures remained stuck in a morass of oversupply, and wheat prices only managed a small rebound from Tuesday's 5 cents-a-bushel tumble.

Late in the session soyabeans for March delivery were up 5 cents at $4.81¼ a bushel.

News from the US Department of Agriculture late on Tuesday afternoon that an "unknown" country had bought 256,000 tonnes of US soyabeans helped boost that market early yesterday. Commercial traders thought mystery sale was going to "a European destination", although there had been some suggestion that China was the buyer.

US soyabean exports are far ahead of last year. Some 70 per cent of USDA's projected export sales are already placed, with the marketing year only one-third over.

Yesterday morning, the department released its monthly report on US soyabean crushing. Analysts said it implied that US farmers and livestock feeders used a record 2.246m tonnes of soyameal in December. The crush figures aided the soyabean rally.

Mr Dan Cekander, director of grain research at the Chicago brokerage firm of Rodman and Renshaw, said the high soyameal consumption figures were in line with bigger livestock herds in the US. "Cattle, hogs, and broilers – in every category we have higher meat numbers than last year," he said. Maize rations for livestock are supplemented with soyameal to boost protein and quicken weight gain.

US maize futures held in a tight range. The year's huge crop has left farmers with large stocks on hand. Each time futures prices manage a small rise, producers flood country terminals with grain, keeping a lid on any advance. Late in the day March maize was barely changed at $2.16½ a bushel.

March wheat futures were up 2¼ cents at $3.80¾ a bushel late in the afternoon, in part because of news that Sri Lanka was seeking to buy 100,000 tonnes of US wheat under the Export Enhancement Program. Morocco and Lebanon were also US wheat buyers, helping to offset the market discouragement at Russia's inability to purchase US wheat because of credit problems.

The oilman's land of opportunity

Existing exploration contracts cover only 17 per cent of Peru's 70m hectares of potentially oil-bearing territory writes Sally Bowen

PERU REMAINS "the great unexplored in the oil business," says Mr Roger Alderson, general manager in Peru for Simon Petroleum Technology. "No-one questions the technical possibilities of major finds here."

The country has more that 70m hectares of potentially oil-bearing territory but only 17 per cent of that is covered by existing exploration contracts.

Since 1983, investment in oil exploration in Peru has been in almost continuous decline. Last year companies under contract with state-owned Petroperu invested a mere $43m in exploration, a tenth of the amount invested ten years earlier. Proven oil reserves have slumped to about 350m barrels, half of their 1982 level, and Petroperu estimates exploration investment should be at least $115m a year.

But the situation, it is hoped, is about to change. The return to formal democracy in Peru via congressional elections on 22 November should now pave the way for a long-awaited spurt of foreign investment.

"The April 5 coup didn't scare investors away," says Mr Alderson, "but it did slow things down. If Peru's democracy is now accepted as valid, we're away and flying. Peru has ten times the opportunities of Argentina, for example, and, historically it's no less stable or any worse a risk than either Argentina, Colombia or Bolivia."

For the past two years, SPT (formerly Robertson Research) has been working with Petroperu to help boost foreign interest in Peruvian oil possibilities. Twice-yearly promotional tours have targetted oil operators, largely in the US, who are seeking fresh fields for expansion.

A big factor in Peru's favour is recent legislation governing foreign investment in general and oil exploration in particular. "The current law works," says Mr Jaime Quijandria, president of Petroperu. "We can prove we offer better conditions than Colombia, Argentina or Ecuador – and investors are coming."

One hiccup has been the delay in gaining final approval for contracts. But under new, streamlined procedures Petroperu has been able to reach speedy agreement with three US oil companies over exploration and development, but Peru's council of ministers has inexplicably been dragging its feet.

One of these contracts is with Great Western Resources for exploration in the Peruvian jungle; another with Olympic of Denver, Colorado in association with a Peruvian firm Petrolera San Juan for drilling in the northern coastal area of Piura; and the third, an exploration and production contract, with Texas-based Clayton Williams.

The proposed joint venture with Clayton Williams, the ebullient Texan operator who once ran for governor of his home state, is Petroperu 's first – and the first for an area already producing. Clayton Williams has an 80 per cent share and will bear the full $10m initial cost of drilling five wells. Petroperu's contribution will come in down the line when a further 40 wells are planned.

Mr Quijandria is convinced that Peru must, as Colombia did, get its oil industry off the ground with a series of similar smallish contracts. "The larger companies aren't risk-takers," he says. "They prefer the smaller fry to come in and do the donkey work – then they'll move in later."

There are only two big names operating locally at present, Mobil and Occidental Petroleum – and both have been in Peru for years. Occidental has increased its output by 20 per cent in the past few months since settlement of a long-running dispute with the previous Peruvian government.

Mobil's hopes of striking it big in Peru's unexplored central jungle, meanwhile, have been dashed. The company boldly entered the central Huallaga, centre of the Peruvian illegal cocaine trade, two years ago. The camp was attacked by Sendero Luminoso (Shining Path) guerrillas in December 1990 and had to be almost completely rebuilt.

Terrorism is not the reason for the pull-out, however. After investing about $32m in necessary infrastructure, the first well drilled was dry. "At least we've learned there's no oil there at 9,000 ft down," says a philosophical Mr Quijandria. "But remember the Huallaga basin has never been drilled before – it would have been utopian to find oil first go."

Petroperu's promotional efforts focus on two Peruvian basins, the Ucayali and the Maranon. Both have basic transport infrastructure in place and are close to Peru's northern pipeline. Initial surveys show the jungle zone of Madre de Dios is also promising, but transport is more of a problem.

The hurdle is getting the first investors interested. Petroperu is having to go it alone with development of the rich Chambira deposits, where oil was struck three years ago. Now that $30m in financing has been agreed with the Andean Development Corporation (CAF), Chambira should be producing 7,500 barrels a day within 12 months.

"This is a totally no-risk enterprise," says Mr Quijandria. "Yet we offered it for a year to the private sector and no-one was interested."

While the complex process of privatising Petroperu is taking time, senior company managers, perhaps surprisingly in a massive state-owned enterprise, are full of initiatives. In recent weeks, Petroperu has reached a "maquila" (lease on idle capacity) agreement with trader Marc Rich to utilise 20,000 b/d of idle capacity at its La Pampilla refinery.

Marc Rich will bring in $18m of crude every 45 days for refining. The refined products will be left for Petroperu to market locally, and the residual crude will be re-exported. Later, when domestic Peruvian prices are more internationally competitive, it is expected that Marc Rich will market in Peru under its own brand-name.

Camisea, the vast gas and condensates field discovered by Royal Dutch Shell in the Peruvian jungle in the mid-1980s remains the most exciting prospect. Shell is dragging its feet – but Peru's current, dramatic electricity shortage is injecting fresh urgency into the search for a solution.

State-owned Electroperu is now contemplating construction of several gas-fired thermal plants near Camisea. Electricity could be shipped over the Andes by cable instead of building a gas pipe-line.

"It's a financing problem now," says Mr Quijandria. "I'm suggesting the government appoint an agent to get a consortium together for the $1.4bn needed to develop Camisea. Then we have to put pressure on Shell to say whether they'll agree to head it."

CIS likely to smelt less western copper

By Kenneth Gooding, Mining Correspondent

COPPER SMELTERS in Russia and Kazakhstan will experience a sharp drop in business from western merchants this year, predicts Carr Kitcat & Aitken, part of the Banque Indosuez Group.

About 300,000 tonnes of stockpiled copper concentrate (an intermediate material) was shipped by merchants from the west to smelters in the Commonwealth of Independent States for treatment in the second half of last year, it estimates. This resulted in an unexpected production increase of more than 100,000 tonnes for the year.

"Not only did this alleviate the smelter bottle-neck which occurred during the first half of the year, it also prevented the copper market from registering a significant supply deficit as seemed likely at mid-year," points out analyst Mr Wiktor Bielski in Carr's latest Metals and Mining investment update.

However, Carr believes that the concentrate stockpiles are now nearly exhausted and that in 1993 only about 100,000 tonnes will be shipped to Russia and Kazakhstan for toll smelting (the system where smelters treat other companies' material for a fee).

This would result in only 30,000 to 35,000 tonnes of "extra" copper production from this source this year. "Given the internal infrastructure problems in the CIS and the long distances involved, coupled with the recent fall in treatment charges, it may well prove unprofitable to undertake toll smelting in Russia at all this year," adds Mr Bielski.

Meanwhile, Carr expects imports of copper to China to continue growing strongly. Mr Bielski estimates that China's copper imports rose from 114,000 tonnes in 1991 to 280,000-300,000 tonnes last year and expects that to be exceeded in 1993.

China's domestic copper production is running at full capacity (about 575,000 tonnes a year) and no expansions are expected for about three years, whereas demand is on course to rise to an annual 950,000 tonnes by the mid-1990s (up from about 650,000 tonnes in 1991).

Carr suggests that net copper imports to the west from the former eastern bloc countries might disappear almost completely by the mid-1990s, a substantial reversal from the 254,000 tonnes imported in 1990.

Russian farm sector to get emergency support

MR VIKTOR Chernomyrdin, the Russian prime minister, has signed a resolution on emergency support for Russia's struggling farm sector and proposed an overhaul of the system of subsidies, according to the Itar-Tass news agency, Reuter reports from Moscow.

The document proposed granting low-interest credits to farm producers and raised the possibility of writing off debts incurred by agricultural companies to finance capital investment.

CIS television said the programme would add Rbs160bn ($281m) to the Russian budget. It quoted Mr Alexander Rutskoi,the vice president, as saying that Russia would also allocate $250m to build new processing facilities for agricultural products, but gave no details.

Tass said subsidies, including half their fuel expenses, would be paid to cattle-breeders who sold their livestock to the state. Subsidies of 50 per cent would also be paid on all types of fuel and energy used for heating and for transport of fodder for farms which suffered drought or other natural disasters in 1992.

The resolution said direct subsidising of producers should be replaced during 1993 by subsidising of goods in the form of guaranteed prices for basic products. The volume of subsidies would be cut gradually.

The pro-market government is trying to implement sweeping changes in the chronically inefficient farm sector by breaking up large collective farms and encouraging private farms to start up.

But farmers are clamouring for more government support, arguing in particular that loans are too expensive.

Sri Lanka tries to revitalise coconut industry

SRI LANKA'S coconut industry, one of the island's three traditional export industries, is trying to expand acreage and improve productivity and land utilisation, according to government officials and analysts, reports Reuter from Colombo.

It is also exploring new markets for its products, in what has become a fiercely competitive industry, while fighting the effects on production of drought and the removal of a fertiliser subsidy.

"Production last year was better than the year before," a senior official of the Coconut Industries Ministry says. "We estimate 1992 production to be 2.3bn nuts as against 2,17bn nuts the previous year." This year he expects a "marginal increase" in production, 80 per cent of which is consumed locally.

Two years ago output was 2.5bn nuts. The fall, according to the country's central bank, was caused by reduced fertiliser application after subsidies were withdrawn and the delayed effects of a prolonged drought. "The government should give the fertiliser subsidy again," says one broker. "Fertiliser prices are too high for estate owners to bear."

Last year, as the prices of processed coconut products improved, the island earned an estimated Rs4bn ($80m) from exports, up from Rs3.4bn the previous year.

Earnings from desiccated coconut sales accounted for more than half of total coconut export earnings. The price of a tonne of desiccated coconut, nearly all of which is exported, rose to $1,000 from $750 in 1991.

The industry, the main market for which is the European Community, is trying to re-enter the lucrative US market for desiccated coconut, which it monopolised at one time as a pioneer producer and sole exporter.

The American market is now dominated by supplies from the Philippines.

Sri Lanka exported 460 tonnes of th desiccated product to the US in 1991, up from 280 tonnes the previous year.

It is also eyeing former communist countries. "There is medium and long-term potential, perhaps more than the EC, in Russia and eastern Europe," the ministry official says. "If that market opens up it might increase demand for desiccated coconut by 50 per cent."

Industry officials say that, in spite of growing competition from new exporters like Indonesia, the world's biggest coconut producer, Sri Lanka is able hold its own because its desiccated product is considered to have the best flavour.

WORLD COMMODITIES PRICES

MARKET REPORT

London robusta COFFEE futures finished with gains of around $32 to $40 on key positions but were well below the day's highs as the market continued to experience a modest technical bounce after recent heavy losses. However, dealers said the rally had been relatively muted and it was quite possible that the downtrend would resume shortly. New York arabica coffee prices were ahead in late trading. London COCOA closed with pared gains; the market seems set for a period of range trading between £690-£700 and £740 a tonne for the March contract, dealers said. The weakness of sterling continued to underpin values. GOLD steadied on the London bullion market after Comex held downside support following early losses. But sentiment leaned towards the market drifting down to test the $330 a troy ounce level. Nymex PLATINUM prices were down on profit taking at midday. But continued concern over the availability of supply in the physical markets was limiting losses.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Mar)		+ or -
Dubai	$15.50-5.60	-0.10
Brent Blend (dated)	$17.75-7.85	-.125
Brent Blend (Mar)	$17.85-7.95	-0.10
W.T.I (1 pm est)	$19.50-9.55	-0.16

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$187-189	
Gas Oil	$173-174	
Heavy Fuel Oil	$72-73	
Naphtha	$177-179	+1.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$330.65	-0.4
Silver (per troy oz)♣	368.5c	-3
Platinum (per troy oz)	$363.10	-1.15
Palladium (per troy oz)	$110.25	-0.75
Copper (US Producer)	103.5c	+0.5
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	15.10r	+0.12
Tin (New York)	273.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	117.60p	+1.55*
Sheep (live weight)†♠	93.41p	+8.72*
Pigs (live weight)†	82.80p	+2.20*
London daily sugar (raw)	$216.1	+2.2
London daily sugar (white)	$265.0	+2.1
Tate and Lyle export price	£261.0	+3.5
Barley (English feed)	£135.50u	
Maize (US No. 3 yellow)	£161.75	
Wheat (US Dark Northern)	Unq	
Rubber (Mar)♥	65.25p	+0.75
Rubber (Apr)♥	65.25p	+0.25
Rubber (KL RSS No 1 Feb)	239.5m	+0.5
Coconut oil (Philippines)§	$427.5y	
Palm Oil (Malaysian)§	$412.5w	+2.5
Copra (Philippines)§	$267.5	-2.5
Soyabeans (US)	£175.0	+2
Cotton "A" index	58.50c	-0.45
Wooltops (64s Super)	380p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Mar/Apr u-Feb.x-Aug. w-Feb/Mar z-Jan/Mar. ♥London physical. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg ♠Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	192.00	191.00	191.00	190.60
May	197.00	192.00	198.00	195.20
White	**Close**	**Previous**	**High/Low**	
Mar	257.40	257.00	257.00	256.00
May	258.80	259.00	258.80	257.50
Aug	262.50	262.60	262.10	261.00
Oct	247.60	248.00	248.00	246.10
Dec	248.50		249.00	
May	252.50		251.00	

Turnover: Raw 34 (3) lots of 50 tonnes. White 1587 (1605) Paris- White (FFr per tonne): Mar 1408.61 May 1425.61

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Mar	17.95	18.03	18.08	17.95
Apr	18.00	18.14	18.16	18.00
May	18.14	18.24	18.26	18.14
Jun	18.26	18.33	18.35	18.23
Jul	18.33	18.44	18.36	18.33
Aug	18.41	18.51	18.41	
Sep	18.45	18.55	18.56	18.45
IPE Index	18.01	17.78		

Turnover 14532 (40526)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Feb	168.00	166.50	169.50	166.00
Mar	166.50	166.50	169.50	166.25
Apr	168.00	167.75	168.50	167.75
May	168.00	167.50	168.75	167.75
Jun	167.75	167.50	168.50	167.75
Jul	169.75	169.75	170.00	169.50

Turnover 11694 (12745) lots of 100 tonnes

WOOL

This weeks British interest rate reduction, and its accompanying currency disturbances, have had not had the effect of enlivening wool textile trade. There is more interest in how prices may have been affected, but not to the point of placing business. The firming effect is very slight because of continuing difficult and competitive conditions throughout Europe. Australian and most world wool values meanwhile only manage to drift along without clear trend. The AWC market indicator was down to 502 cents a kg. on January 27, compared with 509 a week before.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	708	702	713	698
May	716	711	723	706
Jul	728	719	736	722
Sep	742	729	747	736
Dec	761	750	762	753
Mar	781	771	785	775
May	797	786	797	789
Jul	811		808	
Sep	825		822	
Dec	860		835	

Turnover: 8904 (5641) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 26 731.70 (762.05) 10 day average for Jan 25 768.31 (767.42)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jan	885	849	884	880
Mar	877	840	892	860
May	885	845	900	865
Jul	875	837	892	860
Sep	892	843	904	875
Nov	904	863	916	890

Turnover 6212 (10031) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 26: Comp. daily 52.97 (53.30) 15 day average 56.47 (56.99)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	54.0	56.5	55.0	53.0
May	63.9	65.0	64.0	61.0

Turnover 273 (235) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	155.00	153.50	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Jan	1278		1278	1277
Feb	1300		1300	1285
Mar	1310	1290	1310	1300
Apr	1304	1290	1305	1280
Jul	1150		1150	
Oct	1330		1330	
BFI	1275	1274		

Turnover 436 (34)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	137.60	137.10	137.60	137.00
May	139.45	139.00	139.45	139.10
Sep	140.25	109.70	140.25	
Nov	112.10	111.90	112.25	112.05
Barley	**Close**	**Previous**	**High/Low**	
Mar	134.75	133.75	134.75	134.00
May	135.65		135.65	

Turnover: Wheat 323 (29), Barley 201 (116)
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Mar	106.0		104.5	104.0
Apr	106.0		104.5	104.0
May	105.0		104.5	104.5
Jul	102.5	102.8	102.5	102.0

Turnover 30 (9) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,549 lots
Cash	1197.5-98.5	1191.5-92.5	1193.5	1193-93.5		
3 months	1219.5-20	1213.5-14	1221/1214.5	1214-14.5	1220.5-21	164,482 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,976 lots
Cash	1484-85	1460.5-61.5	1475	1475-75.5		
3 months	1500-01	1478-79	1404/1487	1493-93.5	1063-64	182,432 lots
Lead (£ per tonne)						Total daily turnover 1,577 lots
Cash	278.25-8.25	277-77.5	278.25	278-78.25		
3 months	288-8.25	287.25-7.50	290/287	287-87.5	289-90	18,181 lots
Nickel ($ per tonne)						Total daily turnover 6,574 lots
Cash	5800-10	5790-800	5805	5805-08		
3 months	5870-75	5860-70	5940/5855	5870-75	5890-95	42,868 lots
Tin ($ per tonne)						Total daily turnover 2,702 lots
Cash	5920-30	5920-30	5925	5920-25		
3 months	5980-85	5980-90	6020/5970	5975-85	5975-80	8,550 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,009 lots
Cash	1054-55	1053.5-56.5	1053.5	1053-53.5		
3 months	1074-75	1075-76	1077/1072.5	1073-73.5	1076.5-77	65,407 lots

LME Closing £/$ rate:
SPOT: 1.5145 3 months: 1.5041 6 months: 1.4880 9 months: 1.4880

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	330.50-330.80	
Opening	330.50-330.80	
Morning fix	330.60	216.815
Afternoon fix	330.80	216.888
Day's high	331.00-331.30	
Day's low	330.30-330.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	0.33	6 months	1.64
2 months	0.66	12 months	1.98
3 months	1.00		

Silver fix	p/troy oz	US cts equiv
Spot	242.10	367.50
3 months	245.80	370.40
6 months	249.10	373.25
12 months	256.10	380.80

GOLD COINS

	$ price	£ equivalent
Krugerrand	330.50-333.30	217.00-219.00
Maple leaf	340.20-342.40	-
New Sovereign	78.00-82.00	52.00-54.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	26	57	15	23
1225	14	42	28	34
1250	7	31	46	47
Copper (Grade A)	**Calls**		**Puts**	
2200	77	99	16	44
2250	46	72	34	69
2300	24	50	62	93
Coffee	**Mar**	**May**	**Mar**	**May**
800	83	102	6	17
850	46	69	19	34
900	21	44	44	59
Cocoa	**Mar**	**May**	**Mar**	**May**
675	39	59	6	16
700	23	44	15	26
725	12	31	29	40
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1700	105	-	3	17
1750	61	-	6	32
1800	28	65	26	52

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	329.9	331.1	0	0
Feb	329.9	331.1	331.0	329.8
Mar	330.1	331.4	331.4	331.4
Apr	330.4	331.7	331.6	330.3
Jun	331.5	332.7	332.7	331.4
Aug	332.8	334.1	333.4	333.4
Oct	334.3	335.5	0	0
Dec	335.7	336.9	336.2	336.2
Feb	337.4	338.6	337.5	337.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	362.4	365.2	364.0	361.2
Jul	358.8	362.1	361.0	358.5
Oct	358.8	360.6	0	0
Jan	355.3	359.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	367.2	369.3	0	0
Feb	367.4	369.4	0	0
Mar	368.2	370.2	369.5	367.0
May	370.6	372.6	371.5	370.0
Jul	372.9	374.9	374.0	372.5
Sep	375.3	377.5	376.0	376.0
Dec	379.2	381.2	380.0	379.0
Jan	380.2	382.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	100.05	99.95	100.05	100.05
Feb	100.15	100.00	100.25	99.90
Mar	100.60	100.45	100.85	100.00
Apr	100.75	100.65	100.85	100.65
May	100.90	100.80	101.10	100.40
Jun	101.00	100.90	0	0
Jul	101.20	101.05	101.25	100.65
Aug	101.30	101.15	0	0
Sep	101.50	101.30	101.60	101.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	19.53	19.64	19.66	19.47
Apr	19.60	19.69	19.71	19.56
May	19.69	19.77	19.79	19.67
Jun	19.78	19.85	19.87	19.77
Jul	19.81	19.91	19.94	19.85
Aug	19.93	19.96	19.95	19.91
Sep	19.96	20.00	19.98	19.93
Oct	19.98	20.02	19.98	19.98
Nov	20.01	20.02	20.04	19.98
Dec	20.03	20.01	20.03	20.00

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	54.05	55.24	55.20	53.80
Mar	54.80	55.53	55.40	54.40
Apr	54.55	55.29	55.25	54.46
May	54.40	54.71	54.70	54.20
Jun	54.10	54.60	54.50	54.10
Jul	54.50	54.85	54.75	54.50
Aug	55.30	55.52	55.35	55.30
Sep	56.50	56.65	56.50	56.45
Oct	57.36	57.56	57.35	57.35
Nov	58.40	58.36	58.40	58.40

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	928	911	935	912
May	958	943	962	943
Jul	978	966	985	967
Sep	1008	985	1005	994
Dec	1036	1015	1038	1020
Mar	1073	1050	1065	1058
May	1094	1071	0	0
Jul	1111	1089	0	0
Sep	1137	1114	1136	1136
Dec	1167	1144	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	57.75	57.90	59.80	57.15
May	63.30	63.35	65.60	62.80
Jul	65.20	65.35	67.55	65.00
Sep	67.00	67.10	69.25	67.00
Dec	69.70	69.75	71.60	69.70
Mar	72.75	73.25	74.10	72.75
May	74.65	75.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.61	8.62	8.67	8.56
May	8.85	8.78	8.85	8.77
Jul	8.97	8.85	8.98	8.86
Oct	8.88	8.81	8.88	8.78
Mar	8.90	8.86	8.90	8.85
May	8.93	8.89	8.95	8.96

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	57.94	59.80	59.70	57.80
May	58.95	60.17	60.25	58.50
Jul	59.85	60.95	60.95	59.65
Oct	59.80	60.38	60.70	59.75
Dec	59.00	59.46	59.60	58.90
Mar	59.75	60.24	60.50	60.50
May	60.35	60.90	0	0
Jul	60.90	61.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	73.10	76.65	76.00	73.25
May	76.50	79.85	79.20	76.25
Jul	79.55	82.65	82.30	79.80
Sep	82.40	85.05	84.50	82.40
Nov	84.00	85.05	85.75	84.00
Jan	88.25	88.80	88.00	87.00
Mar	89.65	91.05	90.00	90.00
May	90.05	91.55	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jan.27	Jan.26	mnth ago	yr ago
1687.2	1682.4	1703.1	1568.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan.26	Jan.25	mnth ago	yr ago
Spot	121.68	122.18	-	116.62
Futures	120.98	120.52	-	122.93

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	581/2	576/2	582/0	577/0
May	583/6	578/6	584/4	579/4
Jul	588/2	583/4	586/4	584/0
Aug	589/2	584/6	589/4	585/4
Sep	587/6	585/0	589/0	585/4
Nov	594/2	589/6	595/0	590/6
Jan	601/6	597/2	602/0	598/6
Mar	608/0	605/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.43	21.08	21.48	21.05
May	21.66	21.30	21.67	21.26
Jul	21.86	21.50	21.87	21.48
Aug	21.86	21.55	21.88	21.66
Sep	21.88	21.56	21.88	21.68
Oct	21.85	21.58	21.85	21.75
Dec	21.95	21.59	21.95	21.65
Jan	21.95	21.60	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	183.7	183.3	184.0	183.2
May	183.8	183.2	183.9	183.2
Jul	184.7	184.7	185.0	184.5
Aug	185.3	185.2	185.6	185.1
Sep	186.1	185.9	186.4	185.9
Oct	187.2	187.2	187.2	187.0
Dec	188.3	188.5	189.0	188.3
Jan	188.8	189.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	216/6	216/4	217/0	216/2
May	224/4	224/4	225/0	224/0
Jul	231/2	231/2	231/6	231/0
Sep	237/6	237/4	238/0	237/2
Dec	244/0	243/6	244/2	243/4
Mar	250/6	250/4	251/0	250/0
May	255/6	255/4	255/6	255/0
Dec	250/0	249/0	250/0	250/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	380/2	378/4	381/4	377/0
May	352/6	350/4	353/0	349/4
Jul	328/4	326/6	329/2	326/2
Sep	332/0	330/4	332/0	329/0
Dec	340/2	339/0	340/6	338/4
Mar	345/0	344/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	77.875	78.575	78.400	77.600
Apr	77.325	77.775	77.650	76.900
Jun	72.975	73.250	73.300	72.750
Aug	71.425	71.775	71.750	71.225
Oct	72.225	72.550	72.575	72.125
Dec	72.600	72.700	72.725	72.375
Feb	77.875	78.575	78.400	77.600

LIVE HOGS 40,000 lb, cents/lbs

	Close	Previous	High/Low	
Feb	43.950	43.700	44.000	43.550
Apr	43.650	43.300	43.700	43.225
Jun	48.400	48.050	48.450	48.000
Jul	47.775	47.525	47.850	47.450
Aug	45.900	45.750	45.800	45.600
Oct	41.725	41.650	41.850	41.600
Dec	42.850	42.700	42.850	42.700
Feb	43.050	42.925	43.050	43.050

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	35.800	35.225	36.000	35.125
Mar	36.225	35.525	36.475	35.500
May	37.275	36.350	37.325	36.300
Jul	37.600	36.675	37.650	36.600
Aug	36.450	35.700	36.500	35.650

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LONDON STOCK EXCHANGE

Profit-takers busy in the Footsie list

By Terry Byland, UK Stock Market Editor

THE LONDON stock market tried yesterday to extend the gains prompted by Tuesday's base rate cut, but was driven off course by the cool response to the £2.5bn auction in government bonds, where several leading houses had suffered substantial losses in the previous session. Profit-takers held the upper hand by the close.

An early gain of 18.2, reflecting suggestions that a further reduction in base rates might be incorporated in the March Budget, took the FT-SE 100 Index to within eight points of its all-time high. Then weakness in sterling cast a cloud over interest rate optimism. Share prices began to sag and the market was below overnight levels throughout the second half of the session. The final reading put the FT-SE 100 at 2,832.5, down 3.2, with rights issue rumours overshadowing sentiment.

Second-line stocks took up some of the slack as investors sought out shares overlooked in the market's strong advance following the reduction of base rates to 6 per cent.

The FT-SE Mid 250 Index, in direct contrast to the FT-SE 100, rose steadily to close 12.9 higher at 2,964.5. Non-Footsie stocks also increased their contribution to the day's business, providing around 56 per cent of the session's Seaq volume total of 753.4m shares.

The full impact of Tuesday's unexpected cut in base rates was confirmed by a total of £1.72bn in retail business in equities on that day's Seaq volume figure of 861.7m shares. Leading securities houses are believed to have suffered losses in equities, having trimmed positions sharply on Monday in order to open short positions in government bonds ahead of yesterday's auction.

These trading losses at marketmaking firms helped to subdue the equity market yesterday. Estimates of trading losses in the gilt-edged market range from £15m towards £25m.

However, investors were still prepared to buy stocks likely to benefit from the base rate cut. Once again, the building materials, construction and contracting sectors found buyers. Banks were weakened by profit-taking, however, and rights issue rumours fell heavily across the insurance sector.

Store and retail shares also gave ground as the continued uncertainty over Christmas sales was fuelled by disappointment with the trading results from W.H. Smith. More convincing confirmation of a recovery in UK retail sales is still regarded as a necessary basis for a second leg of the bull run in the equity market which began when sterling left the European exchange rate mechanism in September.

Rights issue rumours strengthened towards the close of trading, when several old market targets were hoisted above the parapet again. While traders refused to be stampeded yesterday, there was general agreement that rights issues are more likely to be brought forward now that the predicted base rate cut is out in the open.

Equity strategists are now increasingly bullish. Mr Nicholas Knight, the arch bull at Nomura Research Institute Europe, referred to "Golden Tuesday", stressing that the significance of the latest one point cut in base rates cannot be overstated. Unlike some analysts, Mr Knight refuses to be alarmed by the ratings of 17 times historic earnings now ruling in the stock market.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	17	478	+3
ASDA Group	24,000	63	-3
Abbey National	6,100	376½	-3½
Albert Fisher	858	72	
Allied-Lyons	2,900	597	-10
Amstrad	1,300	25	+½
Anglian Water	390	478	+3
Argos	518	293	+2
Argyll Group	3,400	403	+5
Arjo Wiggins	4,200	182	+2
Ass. Brit. Foods	1,100	494	+2
Ass. Brit. Ports	331	373	-5
BAA	1,200	790	-8
[illegible]			
Blue Circle	3,200	224	+6
Booker	991	428	+7
Boots	3,000	517	-8
Bowater	780	483	+9
Brit. Aerospace	4,800	227	-1
British Airways	2,900	271	-3½
British Gas	6,900	290	-3
British Land	3,100	194	+6
British Steel	5,500	69	+2
Bunzl	1,600	134	-2
Burmah Castrol	573	695	-6
Burton	8,800	73½	-2½
Cable & Wire	2,200	712	-14
Cadbury Schweppes	2,600	472	-8
Calor Group	89	236	+1
Carlton Comms	703	790	
Coats Viyella	4,800	217	+2

	Volume 000's	Closing Price	Day's change
Comm. Union	3,400	614	-19
Cookson	455	203	
Courtaulds	885	570	+7
Dalgety	713	490	+2
De La Rue	348	885	+6
Dixons	1,300	226	-8
Eastern Elect.	889	421	+6
East Midland Elect.	1,000	415	+1
Eng China Clays	1,000	472	+7
Enterprise Oil	114	438	+4
Eurotunnel Units	1,200	412	+4
FKI	2,000	112	
[illegible]			
Hanson	11,000	244½	+1
Hanson Warrants	2,900	25½	+1
Harrisons Crosfield	2,100	168	-1
Hillsdown	1,900	150	-1
IMI	549	[illegible]	+1
ICI	1,200	1138	+3
Inchcape	1,100	505	+2
Kingfisher	1,500	550	-9
Kwik Save	181	620	
Ladbroke	5,800	201	-1¼
Land Securities	1,500	481	+7
Laporte	508	698	+4
Legal & General	2,000	450	+5
Lloyds Abbey	789	468	+7
Lloyds Bank	4,000	532	-3
LASMO	3,500	152	+4½
London Elect.	885	442	+2

	Volume 000's	Closing Price	Day's change
Lonrho	2,100	75	
Lucas	4,400	141	+3
MB Caradon	995	304	-8
MEPC	1,200	338	+3
Manweb	503	494	+5
Marks & Spencer	7,700	324	-3
Midlands Elect.	300	465	+5
Morrison (Wm.)	1,000	770	+6
NFC	2,800	270	-4
NatWest Bank	6,900	452	-5
National Power	8,700	305	+3½
Next	3,800	148½	+3
[illegible]			
Redland	2,400	470	+1
Reed Intl.	268	659	+5
Rentokil	684	222½	+1½
Reuters	554	1366	+18
Rolls Royce	2,400	117½	+½
Rothmans	1,300	828	-3½
Ryl Bk Scotland	7,000	229	-4
Royal Insurance	7,900	285	
[illegible]	259	169	+5
Sainsbury	3,100	572	
Scottish & New.	1,100	446	
Scot. Hydro-Elect.	3,700	248	+5½
Scottish Power	4,600	224½	+1
Sears	3,700	105	+2
Sedgwick	1,500	172	+3
Seeboard	119	489	+1
Severn Trent Water	2,700	481	+2

	Volume 000's	Closing Price	Day's change
Shell Transport	4,800	553	+6
Siebe	1,500	451	+6
Slough Ests	1,900	168	+6
Smith (W.H.) A	2,600	440	-15
Smith & Nephew	1,400	159½	+½
SmKl Beecham	4,400	491	-10
SmKl Beecham Uts.	3,300	429	-8
Smiths Inds.	1,400	351	-8
Southern Elect.	442	437	+3
South Wales Elect.	91	486	
South West Water	703	488	+6
South West. Elect	465	458	+6
[illegible]			
Trafalgar House	3,100	98	
Unigate	424	328	+1
Unilever	917	1122	+9
United Biscuits	1,600	368	-3
Utd. Newspapers	497	528	+13
Vodafone	2,500	387	-7
Warburg (SG)	1,100	572	+6
Wellcome	1,300	903	-14
Welsh Water	130	517	+6
Wessex Water	380	586	-12
Whitbread 'A'	951	450	+1
Williams Hldgs.	1,300	343	+2
Willis Corroon	1,400	200	
Wimpey	598	117	+2
Wolseley	548	550	+12
Yorkshire Elect.	284	487	+4
Yorkshire Water	503	520½	+5½

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates		
*First Dealings:		
Jan 18	Feb 1	Feb 15
Option Declarations:		
Jan 28	Feb 11	Feb 25
Last Dealings:		
Jan 29	Feb 12	Feb 26
Account Day:		
Feb 8	Feb 22	Mar 8

*New time dealings may take place from 8.30am two business days earlier.

Smith figures disappoint

POOR figures from W.H. Smith reverberated through several stocks, with those with DIY interests particularly hit. Smith revealed a decline in profits to £40.2m from £50.1m, blaming one-off items and tough conditions at its Do It All subsidiary. However, analysts expressed concern at the decline in margins and disappointment at the tone of the post-results meeting.

In particular, Smith's management was said to be uncommunicative regarding the DIY business, although an analysts' visit next week is intended to set out future strategy. However, unconfirmed reports yesterday that Texas Home Care, the Ladbroke subsidiary, had begun discounting heavily at some of its Scottish stores appeared not to bode well for the sector.

Profits downgrades for Smith followed, with the ranges falling from £108m-£118m down to £100m-£110m for this year, and to £110m-£125m for next year. In the short term, analysts foresee further weakness in the stock, particularly, if as widely expected, the chancellor imposes VAT on books in the Budget. W.H. Smith "A" shares retreated 15 to 440p.

Shares in Boots, which co-owns Do It All, suffered on the results, relinquishing 8 to 517p. One house was also telling clients that Boots was weaker ahead of a review next month by the US Food and Drug Administration of ICI's Zestril heart drug. It was suggested this would affect Boots' Manoplax drug. ICI put on 3 at 1138p.

Other DIY groups to suffer yesterday included, Kingfisher, off 9 at 550p, and Ladbroke, 1¼ easier at 201p. Bearish sentiment over Smith's Our Price music business hit Thorn EMI, down 15 at 818p.

CU rights talk

There was renewed speculation around the market that a substantial rights issue from the composite insurance sector is imminent. Yesterday it was the turn of Commercial Union to attract the rights issue rumours, as talk of a possible cash call from Royal Insurance tended to die down.

CU shares dropped 20 to 613p as the rumours circulated in the market that the group could ask its shareholders for around £400m. And dealers noted a sharp increase in turnover in CU stock as the session wore on, with an above average 3.3m shares changing hands by the close.

Specialists said a cash-raising exercise by CU was credible and the company could take advantage of the recent strength of the shares which raced up to a record high of 636p earlier this month.

The strength in the shares reflected the group's extremely small exposure to the domestic mortgage indemnity business which has wreaked havoc among other insurance groups, such as Royals and Sun Alliance, and limited exposure to the beleaguered UK property market.

Argyll better

The climb in Argyll Group shares continued as two brokers turned positive on the stock, which has generally missed out on the surge by the other high street food retailers. BZW moved from a hold to a buy citing the stock's underperformance which against the sector was around 6 per cent before yesterday's rise. Nomura upgraded, adding £2.5m to £422.5m for this year and looking for £472.5m for next year. The shares added 5 to 403p.

Shares in SmithKline Beecham fell 10 to 491p in the 'A's and 8 to 429p in the Units in the wake of selling in New York the previous night. The stock was further affected in London as switching out of defensives into cyclicals gathered momentum, following Tuesday's one point cut in UK interest rates. Analysts said continuing worries about the impact of the Clinton administration on health spending had unsettled the stock. Wellcome was also under pressure, the shares sliding 14 to 903p.

Glaxo, which failed to benefit from Tuesday's market rise, caught up yesterday. In spite of uncertainties over the possibility of a move into the over-the-counter market, the shares lifted 6 to 686p. There was additional support from news that Glaxo's anti-asthma drug Serevent is to be reviewed by the US Food and Drug Administration on February 26.

The recent series of downgrades continued to impact on Cable & Wireless, whose shares dropped 14 to 712p, also affected by switching to BT.

Graseby, the electronics and precision instruments group, jumped 14 to 152p. The market is now confident that the group will maintain the dividend when it announces its 1992 results, expected on Budget Day.

A £17.5m rights issue initially dented the Volex share price which fell to 395p before staging a strong rally and closing a net 26 higher at 440p.

Merchant bank Kleinwort Benson raced up 18 to 350p, reflecting the continuing high level of stock market activity and hopes of increased corporate finance activity via rights issues and takeovers.

Berkeley, the housebuilder which recently bought and sold a small stake in fellow construction group Higgs & Hill, pocketing a substantial profit in the process, moved up 13 to 341p as Soros Fund Management was revealed as having taken a 3.19 per cent stake in the company. Persimmon added 7 at 215p ahead of a presentation at BZW.

A number of brokers highlighted Northern Foods' floating debt as a beneficiary of low interest rates. The shares rose 4 to 275p.

Shares in Smiths Industries came under pressure and at the day's worst were down 16, after several brokers, including Hoare Govett, downgraded profit expectations in the wake of production cuts at customer Boeing, that were announced on Tuesday.

The shares later rallied to close 8 lighter at 351p.

The production cuts at Boeing, also hurt TI Group which fell 8 to 285p, as Tuesday's profits downgrading from the company's broker S.G. Warburg finally took effect.

Profit-taking and caution from Charterhouse Tilney in its aerospace and defence review saw British Aerospace retreat 6 before recovering to close a penny lighter at 227p, but a recommendation of Westland in the same publication helped the shares jump 5 to 138p. Siebe improved 6 to 451p, as it held presentations in the city.

yield buyers were seen in Tiphook, where the shares jumped 20 to 359p. Further profit-taking in NFC left the shares 4 lighter at 270p.

Shares in news and information organisation Reuters Holdings gained 18 to 1366p following the launch of a UK equities service to compete with the London Stock Exchange's product, Topic.

Concerns that a 17.5 per cent VAT charge would be imposed on publishers faded. Kleinwort Benson argued that the charge would be only 5 per cent, thus bringing it in line with other EC countries. United Newspapers rose 13 to 528p, Telegraph picked up 5 at 454p and Reed International added 5 at 659p.

USM-listed Southnews jumped 13 to 128p as a result of a mention in a specialist tipsheet.

Public relations firm Shandwick added 2 at 23p following results on Tuesday. S.G. Warburg argued in an internal note that, on a prospective rating of 7.5 times earnings the shares were fairly valued at about 33p.

Allied Textile rose 8 to 453p after reporting half-year results slightly above market expectations.

BT was among the best performing Footsie 100 stocks, with the fully-paid shares moving up 7½ to 406¼p and the partly-paid 7½ to 301½p after Hoare Govett upgraded its recommendation from "undervalued" to "buy".

Hoare's telecoms analyst, Mr James Ross, enthused over a new discount calling programme, which he said could be introduced by BT later this year.

The £17.5m rights issue initially dented the Volex share price which fell to 395p before staging a strong rally and closing a net 26 higher at 440p.

MARKET REPORTERS:
Christopher Price, Joel Kibazo, Peter John, Steve Thompson.

■ Other market statistics, Page 22

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (247).
BRITISH FUNDS (4) Treas. 7¼pc '98, Treas. 8pc '03, Treas. 2pc IL '94, Treas. 2pc IL '96, AMERICANS (6) BankAmerica, Chrysler, Echlin, Ford Motor, Ingersoll-Rand, Merrill Lynch, Rep NY, Rockwell, BANKS (5) Bk. Scot., Barclays, NatWest, Ryl. Bk. Scot., TSB, BREWERS (2) Burtonwood, Wetherspoon, BLDG MATLS (3) Anglian, Sheffield Insts., Wolseley, BUSINESS SERVS (9) Chubb, Hays, Johnson Cleaners, MITIE, Penna, Rentokil, Salvesen, Securiguard, Wilts, CONGLOMERATES (2) Hanson, Harrisons & Crosfield, CONTG & CONSTRCN (4) Bailey (B), Barratt Devs., Bellway, Crest Nicholson 5½pc Pf., ELECTRICALS (4) BICC, BICC Cap. 10¾pc Cv. '20, Pifco, Volex, ELECTRICITY (2) Natl. Power, PowerGen, ELECTRONICS (11) Astec, Control Techs., Cray, Domino, Elect'comps, Electron Hse., Eurotherm, Macro 4, Micro Focus, Multitone, Ptarmigan, ENG AERO (2) FR, Westland, ENG GEN (4) Mayflower, Powerscreen, Rotork, Sterling, FOOD MANUF (4) Dalgety, Finlay, Treatt, Unilever, FOOD RETAILING (2) Ashley 8¼pc Pf., Shoprite, HEALTH & HSEHOLD (3) Bespak, Brit. Bio-Tech., Seton, HOTELS & LEIS (4) City Rests., Compass, Kunick 8¼pc Pf., Pelican, INSCE COMPOSITE (2) Amer. Gen., Travelers, INSCE LIFE (6) Britannic, Legal & Gen., Lloyds Abbey, Lon. & Manchester, Refuge, Utd. Friendly, INV TRUSTS (98) MEDIA (14) Avesco, Central ITV, Euromoney Publcns., GWR, Gold Greenlees Trott, Haynes, Johnston Press, LWT 5.90625p Pf., Midlands Radio, Reed, Southnews, Sterling, Telegraph, Ulster TV, MERCHANT BANKS (4) Hambros 7½pc Pf., Kleinwort Benson, Schroders, Do N/V, MTL & MTL FORMING (1) Billam, MISC (6) Black (P), Erskine Hse 7¼pc Pf., Lincat, Photo-Me, Sthn. Business, MOTORS (4) Avon Rubber, BBA 6¾pc Pf., Burndene, Lex, OIL & GAS (1) Sidlaw, OTHER FINCL (14) Cater Allen, EFT, First Natl. Finance, Gerrard & Natl., Govett, Henderson Admn., Investment Co., Jupiter Tyndall, King & Shaxson, M & G, Perpetual, Provident Fincl., Rutland, Trio, OTHER INDLS (3) Morgan Crucible 7½pc Pf., Vinten, Williams 8p Pf., PACKG, PAPER & PRINTG (6) Boxmore, Britton, De La Rue, Hunters Armley, NMC, Portals, PROP (4) Helical Bar 5¼pc Pf '12, Lon. Merchant 7¼pc Cv. '00-05, Slough 8pc Cv '03, Southend Stad. 5½pc Pf., STORES (5) Asprey, Brown (N), Courts, Goldsmiths, Storehouse, TEXTS (3) Allied Textile, Courtaulds, Leeds, TRANSPORT (2) GATX, Natl. Express, WATER (1) East Surrey, MINES (1) Minorco.
NEW LOWS (4).
ELECTRONICS (2) Cranbrook, Prestwick, FOOD MANUF (1) Sheldon Jones, MISC (1) Hornby.

FINANCIAL TIMES EQUITY INDICES

	Jan 27	Jan 26	Jan 25	Jan 22	Jan 21	Year ago	High	Low
Ordinary share	2187.0	2189.9	2145.0	2152.2	2143.7	1965.8	2209.9	1670.0
Ord. div. yield	4.32	4.31	4.39	4.39	4.39	4.64	5.34	4.23
Earning yld % full	5.93	5.93	[illegible]	6.03	6.03	6.96	-	-
P/E ratio net	21.51	21.52	21.10	21.15	21.14	18.05	21.93	15.79
P/E ratio nil	19.87	19.88	19.48	19.54	19.53	17.04	-	-
Gold Mines	87.5	84.3	83.2	83.8	81.8	148.9	160.6	80.0

*for 1992/93. Ordinary share index since compilation: high 2209.9 4/1/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2193.1	2198.7	2201.9	2192.7	2190.2	2191.3	2190.3	2188.8	2184.5	2202.8	2183.4

Volume	Jan 27	Jan 26	Jan 25	Jan 22	Jan 21	Year ago
SEAQ Bargains	38,362	39,474	31,171	31,229	30,486	27,388
Equity Turnover(£m)†	-	1719.8	984.0	1492.1	1487.0	999.4
Equity Bargains†	-	43,704	34,517	36,368	43,558	27,898
Shares traded (ml)†	-	718.6	460.4	709.6	616.5	460.1

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

PROFIT-TAKING, talk of a large rights issue and a poor gilts auction all combined to force a retreat in stock index futures, writes Joel Kibazo.

The March contract on the FT-SE 100 opened strongly at 2,863, just ahead of Tuesday's strong close, and early good buying sent it climbing to 2,870 by mid-morning, at which point the contract was trading at a healthy premium of about 30 points.

However, profit-taking and disappointment with the gilts auction led to a reversal in the fortunes of March, and it drifted lower for the next few hours.

The afternoon saw further falls in the contract which were brought about by speculation of a big rights issue and the tentative opening on Wall Street.

March closed at 2,854, down 6 from its previous close but around 15 points above its estimated fair value premium to cash of about 9. Turnover, although less than Tuesday's heavy figure, was healthy at 11,996 contracts.

Volume in the traded options was once again high, reaching 51,746 lots, with a large part of the total attributed to the expiry of several of the January stock options.

The FT-SE 100 option was busy at 15,255 contracts, as was the Euro-FT-SE 100 option at 3,137. Asda was the most actively dealt stock option with 2,448 lots. It was followed by British Gas at 2,279. BP and Hanson were also busy.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2832.5 −3.2	2964.5 +12.9	1373.87 +0.38

	Jan 27	Day's change %	Jan 26	Jan 25	Jan 22	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2832.5	−0.1	[illegible]	2771.9	2781.2	2546.5	6.27	4.31	20.50	3.43
FT-SE Mid 250	2964.5	+0.4	2951.6	2904.2	2909.0	2457.8	7.02	4.37	18.00	5.18
FT-SE-A 350	1393.3	—	1393.3	1363.8	1367.9	1231.6	6.43	4.33	19.91	[illegible]
FT-SE SmallCap	1468.26	[illegible]	1459.58	1437.10	1435.92	—	5.62	4.36	24.85	1.96
FT-SE SmallCap ex Inv Trusts	1478.88	+0.6	1470.30	[illegible]	[illegible]	—	6.23	4.61	22.97	1.77
FT-A ALL-SHARE	1373.87	—	1373.49	1344.87	1348.55	1217.03	6.38	4.33	20.15	1.82
1 CAPITAL GOODS(211)	906.09	+0.5	901.20	884.48	885.22	784.87	6.24	[illegible]	20.97	1.27
2 Building Materials(27)	941.51	+1.1	931.52	901.70	[illegible]	954.60	5.42	5.73	26.25	0.77
3 Contracting, Construction(29)	757.23	+2.0	742.68	720.47	722.02	852.98	3.36	5.43	60.00†	0.20
4 Electricals(14)	2698.95	+1.1	2670.89	2576.25	2567.03	2485.69	6.00	5.38	21.90	1.02
5 Electronics(35)	[illegible]	[illegible]	2405.99	2366.22	2356.28	1748.51	6.52	[illegible]	19.39	13.48
6 Engineering-Aerospace(7)	319.94	−0.3	320.90	319.03	316.49	331.06	11.06	7.33	11.51	0.00
7 Engineering-General(52)	531.59	+0.2	530.80	523.80	524.69	492.88	7.62	[illegible]	[illegible]	0.98
8 Metals & Metal Forming(11)	351.54	+1.4	346.60	341.26	337.79	331.50	4.96	3.76	29.34	0.14
9 Motors(16)	392.23	[illegible]	389.07	380.99	381.29	297.90	5.05	5.97	[illegible]	0.00
10 Other Industrials(18)	2021.52	+0.1	2019.97	1993.51	2005.11	1607.01	6.15	4.20	19.74	0.39
[illegible]										

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

LONDON SHARE SERVICE

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CANADIANS

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BREWERS & DISTILLERS

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BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

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FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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هكذا من الأصل

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

STORES

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1992/93 high	low	Mkt Cap £m	Yld Gr's
Greenwich Res.	□	8¼	—	11	2	4.05	—
Henlo Gold C$		[illegible]	—	[illegible]	53½	349.5	2.8
Imperial West $	□	35	—	[illegible]	30	18.1	—
Kalle Minin $		6	—	42	8	0.14	—
Kenmare	□	7½	—	8	2¼	7.59	—
Mallnga Res.		10½	+1	45	8	2.04	—
Nissan Res $		27	—	34	18	3.82	—
8pc Ln Notes		29	—	29	25	6.27	—
Oryx Gold		47	—	103	46¼	—	—
Pleiona		36	—	13	2	1.37	—
RTZ	□	659	+4	685	458	6,608	3.9
Vizcaya		2¼	—	8	1	1.47	—

INVESTMENT COMPANIES

MEDIA

MOTORS

PACKAGING, PAPER & PRINTING

OIL & GAS

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the price column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discount (Dis) or premium (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
"Tap Stock"
Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
Figures or report awaited
Not officially UK listed; dealings permitted under rule 535(4)(a)
Free annual/interim report available, see details below.
USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
Not officially UK listed; dealings permitted under Rule 535(2)
Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
Merger bid or reorganisation in progress
Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

AXA Equity & Law Unit Tst Mngrs (1200)H

Britannia Life Unit Managers Ltd (1200)F

Brown Shipley & Co Ltd (1000)F

Consistent Unit Tst Mngt Co Ltd (1200)F

Co-op Pension Fds UT Mgrs Ltd (1000)F

Crown Unit Tst Services Ltd (1200)F

Dimensional Tst Mangmt Ltd (0900)F

Gartmore Fund Managers (1200)F

INVESCO MIM UT Mngrs Ltd - Contd.

MGM Unit Managers Ltd (1000)F

MW Investment Managers Ltd (0659)F

Maiden Unit Trust Managers Ltd (1400)F

Manulife Management Ltd (1200)F

N&P Unit Trust Management Ltd (1200)F

National Provident Inv Mgrs Ltd (1400)H

Rothschild Fund Management (1000)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the Government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries. 0277 227300						
European				Dealing 0277 261010		
Intl Bond & Conv	5	103 80	104.30	109 80	+1.40	1 72
Pooled Pension ♣	5	121.30	121 60	128 00	+1.50	5 64
Smaller Cos	7	£146.8	150.8	161 3	+3 4	–
UK General	5	58.88	60 74	63 94	+0 72	2 13
	5	115 40	117 10	123 30	+2 00	2 91
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1				071 407 5966		
Income	5	382.73	382.73	405 64	+1.68	5 08
Global Inc	5	55 25	55 25	58 56	+0.34	4 14
Brit Leaders	5	316 28	316.28	335 26	+0 87	3 05
Intl Leaders	5	177 28	177 28	187 92	+1.51	1.74
PAs Man Bal Gr Sh Inc ♥	3½	51 14	52 48	54 52	+0 45	3 12
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF				081-663 3003		
European Trust	6	49 32	49.41	52 56	+0.95	1.59
Far Eastern Tst	6	53.09	53 74	57 17	+0.76	0 87
Smaller Cos	5	132.1	136 6xd	145.3	+2 3	2 92
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A3AS.				071-637 5377		
S & W American ♣	5	262.6	263 1	279.3	+1.80	1.29
S & W Capital	5	110 7	112.4	118.5	+1.5	2 03
S & W Cash ♣	0	102.14	102.14	102.14	+0.02	6.60
S & W European	5	107 7	107.7	114 0	+1.60	1.44
S & W Far Eastern	5	106 7	107 8	114.0	+1.20	0.00
S & W Growth	5	118 7	120.0xd	127 0	+1.90	1 61
S & W Income	5	106 0	107.3	113 5	+2.3	5 41
S & W Magnum	5	117 0	117.0	125 3	+1.80	[illegible]
S & W Smllr Secs	5	279 9	285 8	302.3	[illegible]	[illegible]
S & W Thoroughbred	5	135 0	135 0xd	144 8	+2.3	1.75
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock EC4V 3AT				071-248 1250		
American Gwth	5¼	80 95	80 95	86.57	+1.23	0
Eur Sp Sits Acc	5¼	42.87	42.87	45.53	+0 40	0
Eur Sp Sits Inc	5¼	40 49	40 49	43.01	+0.39	0
Far East Opps Inc	5¼	27 06	27 06xd	29 17	+0 11	0
Far East Opps Acc	5¼	27 80	27.80	29 97	+0 11	0
General Growth	5¼	94 92	94 92xd	101.90	+0 30	0
General Growth Acc	5¼	97 32	97.32	104.50	+0 30	0
Global Tech	5¼	122 60	122 60	132.20	+2.10	2.47
Income Growth	5¼	95 17	95 17xd	102.30	+0 90	4 04
Income Growth Acc	5¼	96 98	96.98	104.30	[illegible]	4.04
Income Monthly	5¼	55.56	55.56	59 42	+0 48	5.28
Japan Growth	5¼	58 69	58.69xd	62 40	+0 68	0
Overseas Growth	5¼	67 23	67.23	71.56	+0.80	0
Smaller Cos	5¼	66 67	66 67	71 68	+0 42	1 97
Special Opps	5¼	89 14	89 14	95 84	+0 30	2.20
Wwide Sp Sit Acc	5¼	41.18	41.18	44.35	+0.54	0
Wwide Sp Sit Inc	5¼	41 08	41.08	44 25	+0.54	0
SGTR Pension Portfolio						
American Growth	6	48 49	49.26	52.21	+0 74	–
Eur Sp Sits	6	34 47	34 78	36 86	+0.32	–
General Growth	6	35.02	35 73	37.87	+0 11	–
Global Tech	6	47 99	49 17	52 12	+0.83	–
Income Growth	6	31 91	32.59	34.54	+0.30	–
Japan Growth	6	18 37	18.56	19.67	+0.22	–
Managed Equity	6					–
Overseas Growth	6	29 22	29.54	31.32	+0.35	–
Smaller Cos	6	17 18	17.55	18.60	+0.35	–
Special Opps	6	20 44	20 88	22 14	+0 07	–
Stlg Liquidity	6	34 69	34.69	36 14		–
Wwide Sp Sits	6	33.47	34.25	36.30	+0.44	–
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth				0202 298422		
Cash	1	50 14	50.14	50 64	+0.01	6 5
Cnsrlig Prmmce	5½	55.36	55.74	59.45	+0.68	7 9
Ethical	5¼	49.67	50 74	53 97	+1.09	4 6
European Growth	5½	54 02	54 18	57 79	+0 71	3 4
Income	5½	50.66	51 15	54 55	+1.26	6 3
Intl Growth	5½	71 45	71 86	76.65	+1 07	3 0
Managed	5½	64 95	65.67	70 04	+1.29	3 0
UK Growth	5½	54 66	55.27	58 95	+1.31	[illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT				071-600 0462		
Challenger	2½	89 11	89 11	91.20	+1 95	0 00
Short Dtd Gilt	1¼	108 7	108 7	110 2	+1.10	4.47
U.S. Govmnt Bond	1¼	0.7076	0 7076	0.7169	[illegible]	0 00
Gilt Income	4	51.46	51 46xd	53.54	-0.46	8.30
Gilt Growth	4	63 91	63 91	66.52	+0.68	0 00
City Reserve	0	52.03	52.03xd	52.03	+0.01	6.92
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG				0705 388046		
Stockmarket Fd F.	5	64 52	64.70	68 82	-0 09	2.35

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Jan 20	628.3	648 8	......	1.07
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	52 15	53 05	--	4.9
[illegible]	48.66	49 64	--	7.5
James Capel Fund Managers Ltd				
European Exempt.	£104 289	105.582xd	+0.152	3.17
Japanese Exempt.	£100 788	102.287	+1 344	–
Managed Exempt.	£124 754	131.915xd	+0 706	3.34
North American Exempt.	£99.5743	101.376	+1.5719	1.18
Pacific Exempt.	£102.507	104 402	+1.561	3.24
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ		071-588 1815		
Inv Fund Dec 31	582.50	586.60	--	5 08
Fxd Int Sec Dec 31	151 95	152 70	--	9.50
Deposit Fund. See Money Market Trust Funds				

Continued on next page

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Grss
John Govett Management (IoM) Ltd				
Dir Geared Cap NAV Jan 22	$16.19			-
Paragon Plus Red Jan 4	£9.99			-
Paragon Stlg Red Jan 4	£11.32			-
SE Asian Wrt NAV Jan 21	$9.81			-
Govett Mgd Futs Jan 22	£13.94	15.25		-
Govett Mgd Futs Jan 22	$9.85	10.77		-
Mex Horizons Inv Jan 21	$15.96			-
Mex Horizons Inv Wts Jan 21	$8.06			-
Dllr Geared Bd Jan 22	$7.29			-
IBI Global Funds Limited				
Intl Stlg Grwth	£20.86	21.96	+0.10	-
Intl $US Grwth	$18.22	19.19	+0.22	-
High Income Gilt	£25.76	26.70	-0.23	-
International Equity	£21.38	22.52	+0.38	-
International Bond	£23.33	24.19	+0.35	-
Managed Currency	£27.77	28.06	+0.07	-
Sterling Currency	£26.72	27.00	+0.04	-
US$ Currency	$37.84	38.23	-0.03	-
Irish £ Currency	I£15.55	15.72	+0.02	-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.08	11.55		-
B.F. Offshore Inc Fd Ltd	£11.59	12.08		-
Target International (Isle of Man) Ltd				
TMC Offshore Fd	£9.54	10.33		-
NatWest Wires W/W S/S	£10.67	10.92		-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		21.1898	21.2060		-
Managed Capital Bd	5		21.5859	21.6135		-
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		11.0565			-
Sterling Currency Fd	5		10.6346			-
Ecu Currency	5		11.0294			-
US Dollar Mngd Curr	5		21.7327			-
Barclays International Funds						

	Bid Price	Offer Price	+ or -	Yield Grss
Bond Fd (Cayman)	DKr150.0	151.0		-
Mixed Fd (Cayman)	DM139.0	140.0		-
High Security Fd	DKr176.0	177.0		-
High Income Fd	£13.7	13.8		-
Dollar Growth Fd	$1.50	1.51		-
Dollar Income Fd	$1.26	1.27		-
[redacted]				
US Dollars	$15.9	16.0		-
Pound Sterling	£18.3	18.4		-
Deutschmark	DM156.0	157.0		-
Japanese Yen	Y1538.0	1540.0		-
Danish Kroner	DKr169.0	170.0		-
Swiss Franc	SFr171.0	172.0		-
French Franc	FFr162.0	163.0		-
Swedish Kroner	SKr134.0	135.0		-
Northfield International Ltd				
NAV Dec 31	$9.00			-
Odey Asset Management Limited				
Odey European Inc	DM113.29		-1.25	-
Old Ironsides International Ltd				
Old Ironsides Nov 30	$96.15			-
Omega Overseas Partners Ltd				
[illegible]	$113.08			-
Optima Fund Management				
Optima Fd NAV Jan 22	$16.12			-
Optima Fut Fd NAV Jan 20	$14.24			-
[redacted]	$7.57			-
Orbis Investment Management Ltd				
Orbis Global Eqty	$13.95	14.65		-
Orbis Optimal Eqty	$19.01	19.98		-
Orbis Leveraged Eqty	$21.96	23.22		-

[redacted]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

UK cut brings down punt

STERLING fell more than 4 pfennigs against the D-Mark yesterday, bottoming out at DM2.3880, in the face of strong selling pressure from bank traders and institutional investors, *writes James Blitz.*

Foreign exchange dealers remained bearish about the pound in the wake of Tuesday's 100 basis point in UK base rates to 6 per cent. New signs that the Bundesbank will not ease policy as quickly as had been expected continued to depress the UK currency.

Sterling came under strong pressure in the early morning in London, and fell below the psychologically important level of DM2.40 at the start of US trading. The pound later closed in London at DM2.3975, down nearly 3 pfennigs on the day. Against the dollar, it closed down nearly 3⅛ cents at $1.5380.

A small consolation for the UK authorities may have been the slower deterioration in sterling's trade weighted index, a measure which the UK chancellor has said he watches attentively. It fell yesterday from 78.9 to 78.6.

Mr Steve Hannah, head of research at IBJ International in London, said there was no reason to believe that the currency would fall below the historic low of DM2.3693 set on October 5 last year.

In his view, 6 per cent base rates had already been priced into the market and the conditions for a modest recovery which could underpin the pound have been set in place. Mr Hannah believes that the pound remains fundamentally undervalued from its purchasing power parity of around DM2.55 - DM2.60.

Mr Neil MacKinnon, an economist at Citibank believes the pound is far more vulnerable in the short-term. "We are quite likely to test the historic lows and fall through them," he said. He said that the market felt there was a growing willingness in the UK to ease policy without this provoking an economic upturn.

The cut in interest rates in the UK triggered a dramatic fall for the Irish punt, because sterling's fall weakened Ireland's trade position against the UK, one of its biggest trading partners.

Speculation that the Irish currency must now be devalued pushed the punt below its ERM floors against the Belgian franc and Dutch guilder, forcing a rise in the overnight rate for lending punts to 100 per cent.

Dealers wondered whether a devaluation of the Irish punt might put new pressure on other ERM currencies.

Denmark's high interest rates seemed particularly punishing yesterday, given the 11.7 per cent rise in unemployment in the year to December. The French franc weakened slightly to FFr3.383 to the D-Mark.

The D-Mark yesterday rose against most European currencies, helped by bearish comments on rates from a Bundesbank council member. But the D-Mark weakened against the dollar, which closed at DM1.5836.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 27	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	143.386	138.156	-3.65	4.86	58
Portuguese Escudo	182.194	175.947	-3.43	4.62	52
Belgian Franc	40.6304	40.2043	-1.05	2.11	36
Dutch Guilder	2.21958	2.19647	-1.04	2.10	35
D-Mark	1.96992	1.95257	-0.88	1.93	35
French Franc	6.60683	6.59940	-0.11	1.15	-13
Danish Krone	7.51410	7.52298	0.12	0.92	-21
Irish Punt	0.735334	0.742949	1.04	0.00	-62

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan 27	Latest	Previous Close
£ Spot	1.5125 - 1.5135	1.5440 - 1.5450
1 month	0.41-0.39pm	0.39-0.38pm
3 months	1.15-1.12pm	1.11-1.08pm
12 months	3.20-3.10pm	3.25-3.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.27	Previous
8.30 am	78.9	80.5
9.00 am	78.9	80.5
10.00 am	78.8	80.0
11.00 am	78.8	79.7
Noon	78.8	79.6
1.00 pm	78.8	79.5
2.00 pm	78.7	79.5
3.00 pm	78.5	79.5
4.00 pm	78.6	79.5

CURRENCY RATES

Jan 27	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.903668	0.812087
U.S Dollar	3.00	1.39183	1.23307
Canadian $	7.27	1.76860	1.56748
Austrian Sch	8.25	15.4479	13.7377
Belgian Franc	7.75	45.1962	40.2043
Danish Krone	9.50	8.44075	7.52298
D-Mark	8.25	2.19506	1.95257
Dutch Guilder	7.75	2.46396	2.19647
French Franc	10	7.40593	6.59940
Italian Lira	12.00	2015.68	1810.09
Japanese Yen	3.25	172.309	152.987
Norway Krone	-	9.31691	8.28995
Spanish Peseta	-	155.100	138.156
Swedish Krona	11.50	9.85555	8.76406
Swiss Franc	5.50	2.01720	1.80337
Greek Drach	19	N/A	261.078
Irish Punt	-	N/A	0.742949

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations
* All SDR rates are for Jan 26

CURRENCY MOVEMENTS

Jan 27	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.6	-30.42
U.S Dollar	65.7	-12.20
Canadian Dollar	94.9	-7.23
Austrian Schilling	115.5	+16.77
Belgian Franc	116.6	+2.02
Danish Krone	118.5	+12.13
D-Mark	126.5	+32.27
Swiss Franc	110.4	+18.50
Dutch Guilder	120.2	+21.26
French Franc	111.0	-6.40
Lira	82.3	-32.63
Yen	151.4	+87.86
Peseta	100.9	-23.53

Morgan Guaranty changes, average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Jan.26

OTHER CURRENCIES

Jan 27	£	$
Argentina	1.5125 - 1.5140	1.0000 - 1.0010
Australia	2.2360 - 2.2380	1.4810 - 1.4820
Brazil	22890.0 - 22891.0	15134.0 - 15134.5
Finland	8.1140 - 8.1950	5.3800 - 5.4000
Greece	317.750 - 324.100	209.150 - 213.400
Hong Kong	11.6630 - 11.6790	7.7310 - 7.7320
Iran	2285.00*	1490.00*
Korea(Sth)	1211.85 - 1231.40	791.20 - 797.40
Kuwait	0.46000 - 0.46050	0.30400 - 0.30450
Luxembourg	49.40 - 49.50	32.60 - 32.70
Malaysia	3.9230 - 3.9345	2.6030 - 2.6040
Mexico	4.6765 - 4.6795	3.0920 - 3.0940
N Zealand	2.9280 - 2.9330	1.9380 - 1.9390
Saudi Ar	5.6540 - 5.6675	3.7495 - 3.7505
Singapore	2.4690 - 2.4780	1.6360 - 1.6370
S.Af (Cm)	4.6235 - 4.6345	3.0620 - 3.0640
S.Af (Fn)	7.1510 - 7.2025	4.7280 - 4.7620
Taiwan	38.40 - 38.50	25.35 - 25.45
U.A.E.	5.5400 - 5.5550	3.6715 - 3.6735

*Floating rate. Iran Official rate £99.95 $66.80

POUND SPOT - FORWARD AGAINST THE POUND

Jan 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5070 - 1.5330	1.5140 - 1.5150	0.40-0.38cpm	3.09	1.12-1.09pm	2.92
Canada	1.9185 - 1.9525	1.9210 - 1.9220	0.05-0.09cdis	-0.44	0.04-0.20dis	-0.11
Netherlands	2.6875 - 2.7075	2.6925 - 2.7025	½-⅝cdis	-2.22	1¼-1⅝dis	-2.13
Belgium	49.15 - 49.50	49.40 - 49.50	6-12cdis	-2.18	21-29dis	-2.02
Denmark	9.2125 - 9.2950	9.2475 - 9.2575	3½-4⅛oredis	-5.19	9½-12dis	-4.65
Ireland	0.9065 - 0.9155	0.9110 - 0.9120	1.30-1.45cdis	-17.44	2.65-3.05dis	-12.51
Germany	2.3875 - 2.4100	2.3950 - 2.4000	½-⅝pfdis	-2.50	1¼-1½dis	-2.29
Portugal	215.25 - 218.00	215.25 - 216.15	123-134cdis	-7.15	381-404dis	-7.28
Spain	169.20 - 171.60	169.75 - 170.05	92-107cdis	-7.03	308-334dis	-7.56
Italy	2215.00 - 2235.50	2233.25 - 2234.25	8-11liredis	-5.10	29-34dis	-5.64
Norway	10.1450 - 10.2675	10.1850 - 10.1950	2⅝-4oredis	-3.97	8½-11¼dis	-3.95
France	8.0725 - 8.1375	8.1050 - 8.1150	3½-4⅛cdis	-5.73	11¼-12¼dis	-5.83
Sweden	10.7200 - 10.8725	10.7625 - 10.7725	2⅝-4⅛oredis	-4.25	9½-11¼dis	-3.92
Japan	187.25 - 189.00	187.25 - 188.25	½-¼ypm	2.40	1¼-1⅛pm	2.66
Austria	16.80 - 17.07	16.80 - 16.83	1⅞-3⅛grodis	-1.83	6⅛-8⅛dis	-1.86
Switzerland	2.2050 - 2.2200	2.2075 - 2.2175	⅛-parcpm	0.68	½-¼pm	0.68
Ecu	1.2235 - 1.2325	1.2260 - 1.2270	0.28-0.33cdis	-2.98	1.03-1.10dis	-3.47

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.98-1.93pm. 12 Month 3.15-3.05pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5070 - 1.5330	1.5140 - 1.5150	0.40-0.38cpm	3.09	1.12-1.09pm	2.92
Ireland†	1.6530 - 1.6775	1.6540 - 1.6560	2.30-2.60cdis	-17.41	5.20-5.80dis	-13.30
Canada	1.2690 - 1.2750	1.2700 - 1.2710	0.31-0.34cdis	-3.07	1.04-1.10dis	-3.37
Netherlands	1.7745 - 1.7855	1.7805 - 1.7815	0.72-0.75cdis	-4.95	2.17-2.22dis	-4.93
Belgium	32.50 - 32.70	32.60 - 32.70	13.00-14.00cdis	-4.96	39.00-42.00dis	-4.96
Denmark	6.0675 - 6.1150	6.1075 - 6.1125	3.50-4.50oredis	-7.86	11.00-12.00dis	-7.53
Germany	1.5770 - 1.5875	1.5830 - 1.5840	0.67-0.69pfdis	-5.15	2.05-2.08dis	-5.22
Portugal	141.95 - 143.05	142.85 - 142.95	122-129cdis	-10.54	382-397dis	-10.90
Spain	111.65 - 112.30	111.95 - 112.05	90-98cdis	-10.07	285-300dis	-10.45
Italy	1452.00 - 1475.50	1474.75 - 1475.25	9.50-10.30liredis	-8.05	30.50-32.00dis	-8.47
Norway	6.6950 - 6.7400	6.7250 - 6.7300	3.50-4.00oredis	-6.69	11.20-12.00dis	-6.90
France	5.3325 - 5.3675	5.3525 - 5.3575	3.70-3.95cdis	-8.57	11.50-11.90dis	-8.74
Sweden	7.0725 - 7.1250	7.1075 - 7.1125	3.70-4.30oredis	-6.75	11.75-12.55dis	-6.84
Japan	123.80 - 124.30	124.00 - 124.10	0.04-0.05ydis	-0.44	0.07-0.08dis	-0.24
Austria	11.1075 - 11.1575	11.1475 - 11.1525	4.30-4.65grodis	-4.82	13.05-14.15dis	-4.88
Switzerland	1.4560 - 1.4665	1.4600 - 1.4610	0.27-0.30cdis	-2.34	0.84-0.89dis	-2.37
Ecu†	1.2305 - 1.2400	1.2315 - 1.2325	0.63-0.61cpm	6.04	1.97-1.94pm	6.35

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jan 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6¼ - 6⅛	6¼ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 5⅞	6 - 5⅞
US Dollar	3 - 2⅞	3⅛ - 3	3⅛ - 3⅛	3⅜ - 3¼	3½ - 3⅜	3¾ - 3⅝
Can Dollar	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝
Dutch Guilder	8½ - 8⅜	8½ - 8⅜	8¼ - 8⅛	8⅛ - 8	7⅞ - 7¾	7⅝ - 7½
Swiss Franc	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅜ - 5¼	5⅜ - 5¼
D-Mark	8⅝ - 8½	8⅝ - 8½	8⅝ - 8½	8⅛ - 8⅛	8⅛ - 8	7⅝ - 7½
French Franc	12⅝ - 12⅜	12⅝ - 12⅜	12⅝ - 12⅜	12⅝ - 12⅜	11⅛ - 10⅞	9⅞ - 9⅝
Italian Lira	13½ - 11½	12 - 11½	12 - 11½	12 - 11⅝	12 - 11½	12½ - 11¾
Belgian Franc	8⅝ - 8½	8⅝ - 8½	8⅝ - 8½	8⅛ - 8⅛	7⅞ - 7¾	7⅜ - 7⅛
Yen	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛
Danish Krone	13 - 12	13 - 12	12 - 11	11 - 10½	10⅝ - 10⅛	10 - 9⅝
Asian $Sing	5⅛ - 3⅛	5⅛ - 3⅛	4 - 3	3⅛ - 2⅝	3⅛ - 2⅝	4 - 3
Spanish Peseta	14 - 13½	14 - 13½	14½ - 13¾	14 - 13¼	13¾ - 13½	13½ - 13¼
Portuguese Esc.	13½ - 13	13½ - 13	14¼ - 13¾	14¼ - 13¾	13¾ - 13½	13⅝ - 13¼

Long term Eurodollars: two years 4⅛-4⅛ per cent; three years 5⅛-5⅛ per cent; four years 5⅝-5⅛ per cent; five years 6⅛-6 per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice

EXCHANGE CROSS RATES

Jan.27	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.514	2.397	187.7	8.110	2.212	2.697	2234	1.921	49.45	169.9	1.226
$	0.661	1	1.583	124.0	5.357	1.461	1.781	1476	1.269	32.66	112.2	0.810
DM	0.417	0.632	1	78.31	3.383	0.923	1.125	932.0	0.801	20.63	70.88	0.511
YEN	5.328	8.066	12.77	1000.	43.21	11.78	14.37	11902	10.23	263.5	905.2	6.532
F Fr.	1.233	1.867	2.956	231.4	10.	2.727	3.326	2755	2.369	60.97	209.5	1.512
S Fr.	0.452	0.684	1.084	84.86	3.666	1	1.219	1010	0.868	22.36	76.81	0.554
N Fl.	0.371	0.561	0.889	69.60	3.007	0.820	1	828.5	0.712	18.34	63.00	0.455
Lira	0.448	0.678	1.073	84.02	3.630	0.990	1.207	1000.	0.860	22.14	76.05	0.549
C$	0.521	0.788	1.248	97.71	4.222	1.151	1.404	1163	1	25.74	88.44	0.638
B Fr.	2.022	3.062	4.847	379.6	16.40	4.473	5.454	4518	3.885	100.	343.6	2.479
Pta	0.589	0.891	1.411	110.5	4.773	1.302	1.587	1315	1.131	29.11	100.	0.722
Ecu	0.816	1.235	1.956	153.1	6.615	1.804	2.200	1822	1.567	40.33	138.6	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE EUROMARK OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

PHILADELPHIA SE £/$ OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls February	Calls March	Calls June	Puts February	Puts March	Puts June
112	-	1.09	2.60	0.02	0.29	-
113	0.05	0.47	1.91	0.27	0.66	0.84
114	-	0.14	1.32	-	-	1.23
115	-	0.03	0.82	-	-	-
116	-	-	0.46	-	-	-
Open int	11,874	163,659	54,396	13,933	178,159	38,312

Estimated volume 22,220 † Total Open Interest 498,338
† All Yield & Open interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5145	1.5106	1.5035	1.4950	1.4835

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	NatWestminster	6
Allied Trust Bank	7	Duncan Lawrie	6	Northern Bank Ltd	7
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	9
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	●Guinness Mahon	7	Standard Chartered	6
Bank of Ireland	7	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	7
Bank of Scotland	6	Hampshire Trust Plc	13.5	●United Bk of Kuwait	6
Barclays Bank	6	Heritable & Gen Inv Bk.	7	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	●Hill Samuel	6	Western Trust	7
●Brown Shipley	7	C. Hoare & Co	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Hongkong & Shanghai	6	Yorkshire Bank	6
Citibank NA	6	Julian Hodge Bank	6		
City Merchants Bank	6	●Leopold Joseph & Sons	6		
Clydesdale Bank	6	Lloyds Bank	6		
The Co-operative Bank	6	Meghraj Bank Ltd	6		
Coutts & Co	6	McDonnell Douglas Bk.	6		
Credit Lyonnais	6	Midland Bank	6		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Longer dates rise

Dealers in sterling markets continued to take the view yesterday that UK base rates would be cut again before the summer, *writes James Blitz.*

However, although the rate for 1 year sterling cash traded well below 6 per cent yesterday morning, the market took a more cautious view of rate moves after the currency fell below DM2.40 against the D-Mark.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

In the morning, 1 year money was bought as low as 5¾ per cent. The December 1993 short sterling contract also opened up at 94.45, which assumed that 3-month money at the end of the year would be at 5.55 per cent. That prices in a 50 basis point cut in the UK by the end of this year.

However, later in the day, several factors forced dealers to reconsider the assumption that there will be big rate cuts this year.

There were concerns that the currency's weakness against the D-Mark and dollar would endanger the Chancellor of the Exchequer's targets for reducing price inflation.

Some dealers also argued that, if base rates did move down to 5 per cent, the chances of another cut following that one would be very slim because of the dangers of inflation.

In other words, 5 per cent base rates would bring back a positive money market yield curve.

That assumption was clearly felt by futures dealers as they pushed the December contract down 24 basis points to 94.21 at the end of the day, a level which assumed that 3-month money will be at 5.79 per cent by the end of the year.

The June and September contracts priced 3-month money in at 5.63 per cent by the close. The futures market is effectively saying that base rates may rise in the last 3 months of this year.

The same retracement was seen in the cash market, where the 1 year rate rose back to 6 1/16 per cent by the close. Three month money closed at 6⅛ per cent from a previous 6 1/16 per cent. The rise was partly due to a big shortage of £1.3bn in the discount market which proved difficult to remove. The March French franc contract tumbled another 27 basis points on growing signs that France will find it hard to reduce its official interest rates. Calm surrounded the French currency, but the weakness of the punt and the Bundesbank's intransigence over rates have raised new fears.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.27) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	2.83	Three year	4.74
Broker loan rate	5	Two month	2.90	Five year	5.72
Fed.funds	2⅞	Three month	2.99	Seven year	6.12
Fed.funds at intervention	-	Six month	3.10	10-year	6.46
		One year	3.43	30-year	7.24
		Two year	4.32		

Jan.27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.55-8.65	8.55-8.65	8.45-8.60	8.40-8.55	7.95-8.10	9.50
Paris	12¼-12⅛	11¾-12⅛	-	11⅝-12⅛	-	9.10
Zurich	5⅝-5⅜	5⅝-5⅜	-	5⅜-5⅛	-	-
Amsterdam	8.43-8.50	8.31-8.39	-	8.10-8.18	-	-
Tokyo	3⅛-3⅛	3⅛-3⅛	-	-	-	-
Milan	12⅛-12½	12-12⅛	-	12⅛-12⅜	-	-
Brussels	8⅛-8⅜	8⅛-8⅜	-	8⅛-8⅜	-	-
Dublin	16-18	23-27	21-25	19-21	17-20	-

LONDON MONEY RATES

Jan 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8	6⅞	6⅝	6⅛	6¼	6⅛
Interbank Bid	6½	6½	6⅜	6⅛	6	5⅞
Sterling CDs	-	-	6⅜	6⅛	5⅞	5¾
Local Authority Deps.	6⅝	6½	6⅜	6⅛	6⅛	6⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6⅝	6½	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6⅜	6⅛	6⅛	6
Treasury Bills (Buy)	-	-	5¾	5⅞	5⅞	-
Bank Bills (Buy)	-	-	5⅞	5⅞	5½	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.06	3.14	3.27	3.60
SDR Linked Dep. Offer	-	-	5½	5⅝	5¼	5⅛
SDR Linked Dep. Bid	-	-	5¼	5⅜	5⅛	5
ECU Linked Dep. Offer	-	-	9⅝	9⅝	9¼	8⅞
ECU Linked Dep. Bid	-	-	9½	9½	9⅛	8¾

Treasury Bills (sell); one-month 5⅝ per cent; three months 5⅞ per cent; six months 5⅝ per cent; Bank Bills (sell): one-month 5 11/16 per cent; three months 5 11/16 per cent; Treasury Bills; Average tender rate of discount 6.1067. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1992. Agreed rates for period January 26, 1993 to February 23, 1993, Scheme I: 8.38 p.c., Schemes II & III: 8.50 p.c. Reference rate for period December 1, 1992 to December 31, 1992, Scheme IV&V: 7.232 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7½ from January 1, 1993. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 3½ per cent; one-three months 6 per cent; three-six months 5½ per cent; six-nine months 5 per cent; nine-twelve months 5 per cent; Under £100,000 3½ per cent from Nov 16, 1992. Deposits withdrawn for cash 1½ per cent.

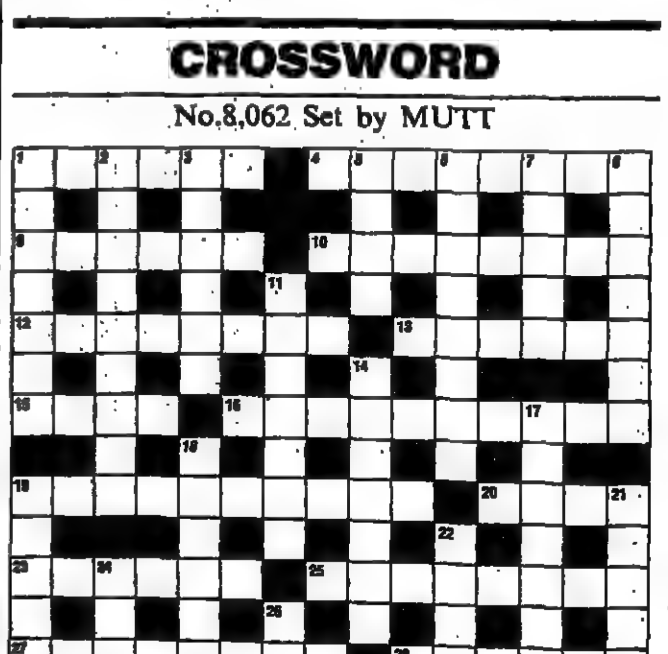
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,062 Set by MUTT



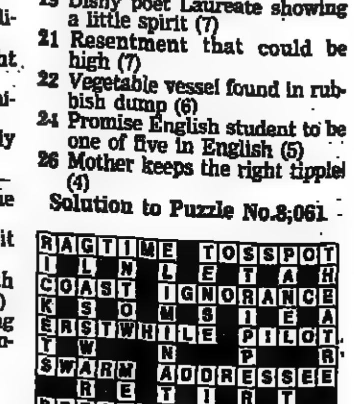
ACROSS

1 Cast doubt on my being a dog with a bit of nous? (6)
4 The one responsible for the mess? (4,4)
9 The old cry, looking back: many a cry of joy in heaven (6)
10 Five hundred and one French will grasp quotient however long it takes (8)
12 Girl Friday not entirely bats but fearless (8)
13 Flaming idle sailor in front (6)
15 He's swallowing the fish skin (4)
16 Ostentatious, having child-worker to follow an old-fashioned whim (10)
19 Planner finds river in condition to drift (10)
20 A backward not-very-bright in-between (4)
23 Electrified lines must be uniform (6)
25 Trendy paper, the first daily that gets asked for (8)
27 May should be jolly — what-ho for the boys in blue (8)
28 Can't the Spanish prohibit upper-class returns? (6)
29 Party with Lady Day with spirits? — Nothing doing! (8)
30 Born to make records; having a come-back with Old Melancholy (6)

DOWN

1 Climber, a girl, needing transport to hospital (3,4)
2 Flirt like a man with 'is girl (9)
3 Fish all right inside model racing vehicle? (2,4)
5 Sauce thickening? That's right — or in France, wrong (4)
6 Annual reading matter (4,4)
7 Two agreeable Europeans taken on board (5)
8 Ed skint as a result of being most indulgent (7)
11 Bewildered by igloo in life-study (7)
14 That's funny, a problem has come up at home over a key (7)
17 New barmaid has long eyelashes (that's only for starters) — excellent! (9)
18 Saint Jeffery? This calls for a stiffener (8)
19 Dishy poet Laureate showing a little spirit (7)
21 Resentment that could be high (7)
22 Vegetable vessel found in rubbish dump (6)
24 Promise English student to be one of five in English (5)
26 Mother keeps the right tipple! (4)

Solution to Puzzle No.8,061



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jan 26	Jan 25	Jan 22	Jan 21	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3298.95	3292.20	3256.81	3253.02	3413.21 (1/6/92)	3136.58 (9/10/92)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	104.56	104.30	104.06	104.06	104.56 (26/1/93)	98.41 (20/3/92)	104.56 (26/1/93)	54.99 (1/10/81)
Transport	1489.49	1478.21	1483.05	1490.70	1520.11 (18/1/93)	1204.40 (26/8/92)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	224.15	224.52	223.08	223.77	225.59 (3/1/92)	200.74 (8/4/92)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl Day's High 3331.91 (3324.89) Low 3272.47 (3243.80) (Theoretical)
Day's High 3320.02 (3294.36) Low 3290.85 (3256.81) (Actual)

STANDARD AND POOR'S

	Jan 26	Jan 25	Jan 22	Jan 21	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	439.95	440.01	436.11	435.49	441.28 (18/12/92)	394.50 (8/4/92)	441.28 (18/12/92)	4.40 (1/6/32)
Industrials	510.26	509.93	504.42	503.59	515.75 (18/12/92)	470.91 (8/4/92)	515.75 (18/12/92)	3.62 (21/6/32)
Financial	42.21	42.19	41.99	41.98	42.27 (19/1/93)	32.40 (8/4/92)	42.27 (19/1/93)	8.64 (1/10/74)
NYSE Composite	242.53	242.47	240.41	239.82	242.53 (26/1/93)	217.92 (8/4/92)	242.53 (26/1/93)	4.46 (25/4/42)
Amex Mkt. Value	411.60	409.52	406.36	405.58	418.99 (12/2/92)	364.85 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	707.16	706.95	701.63	700.77	707.16 (26/1/93)	547.84 (26/6/92)	707.16 (26/1/93)	54.87 (31/10/72)

	Jan 22	Jan 15	Jan 8	year ago (approx.)
Dow Industrial Div. Yield	3.18	3.17	3.19	2.87
	Jan 20	Jan 13	Jan 6	year ago (approx.)
S & P Industrial div. yield	2.60	2.59	2.58	2.78
S & P Indl. P/E ratio	26.62	26.70	26.85	23.24

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
IBM	7,798,000	48⅞	...
Amer Express	7,294,800	23¾	- 1¼
Merck	6,021,300	39⅝	- 1⅛
Tucson Elt	5,153,000	3½	- ¼
Navistar	4,423,900	3	....
Gen Motors	4,003,500	38⅛	+ ¼
Compaq Computr	3,475,200	56⅛	+ 1⅞
Walt Disney	3,441,300	46⅛	+ 3
Boeing	3,278,400	35⅛	- 1⅞

TRADING ACTIVITY

† Volume (Millions)	Jan 26	Jan 25	Jan 22
New York SE	311.410	283.711	294.470
Amex	23.389	19.731	18.757
NASDAQ	252.195	264.590	239.812
NYSE			
Issues Traded	2,441	2,448	2,435
Rises	1,091	1,346	1,089
Falls	821	636	772
Unchanged	529	466	574
New Highs	186	197	150

... DJ Indl. index theoretical day's highs and lows are the averages of the highest ... reached during the day by each stock, whereas the actual day's highs and lows ... represent the highest and lowest values that the index has reached during the day (The figures in brackets are previous day's). ‡ adjusted figure.

... Saturday January 23. Taiwan Weighted Price (c) ... ‡ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded ... Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 ind... (c) Closed (u) Unavailable

TOKYO - Most Active Stocks
Wednesday, 27 January, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Isuzu Motor	6.5m	350	+2	Tokyokeiba	3.2m	515	+12
Oki Electric Ind	3.9m	375	+14	Hitachi Zosen	2.8m	490	+18
NKK	3.8m	243	+6	Mitsubishi Hvy	2.7m	506	+8
NPN Steel Corp	3.7m	288	+4	Kawasaki Steel	2.5m	281	+3
Sasebo hvy Ind	3.3m	525	+34	Keio Teito	2.3m	530	+1

3 pm January 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 – 93 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	10⅛	AAR Corp x	0.48	4.0	21	663	12⅛	11⅞	11⅞	-⅛
26½	16	A L Labs A	0.18	0.7	165	421	26⅝	26	26½	-⅛
66¾	52⅞	AMP Inc	1.52	2.8	20	2337	56½	55	55	-1⅞
80⅛	54⅞	AMR				106864	65⅛	63⅛	63⅝	-⅜
2⅞	1⅞	ARX			13	64	2	2	2	
53½	39⅞	ASA	2.00	6.3	20	285	31⅛	31⅛	31½	-⅛
34⅛	26⅛	Abbott Lab	0.60	2.2	18	9635	27⅛	27	27	-½
13⅞	10⅞	Abitibi Pr	0.50	4.4	4	31	11⅛	11⅛	11⅛	
11⅝	10⅛	ACM Gvt In	0.36	3.2		518	11⅜	11⅛	11⅛	+⅛
10⅞	9	ACM GvOpp	1.21	13.1		21	9¼	9¼	9¼	
9¼	8½	ACM Gvt Sp	0.85	9.3		152	9¼	9⅛	9⅛	
11⅛	9⅞	ACM Gvt Se x	0.96	8.8		142	11	10⅞	10⅞	
10⅝	8⅝	ACM Man	1.18	11.9		92	9⅞	9⅞	9⅞	+⅛
12⅞	8⅝	ACM Managd	0.78	8.7		108	9⅛	9	9	-⅛
11¼	4¾	Acme Cleve	0.40	4.7	16	27	8½	8½	8½	-⅛
8⅞	3⅛	Acme Elect			170	21	8⅝	8½	8½	-⅛
33¼	13⅞	Acuson			10	691	14¼	14⅛	14¼	
21	18⅛	Adams Expr	0.48	2.4	1	60	19⅞	19¾	19¾	
49⅞	29½	Ad Micro	3.00	6.3		30	48	47½	47½	-⅛
21½	7½	Ad Micro P	3.00	15.4	74	829	20	19⅛	19½	-⅛
9⅛	4⅞	Advest Grp	0.16	2.3	14	213	7⅛	6¾	6⅞	+⅛
45¼	33	Aegon ADR	1.35	3.0	8	125	44⅞	44½	44½	-⅜
50¾	38	Aetna Lf x	2.76	5.5	14	788	50	49¾	50	
14½	8⅜	Affil A	0.24	1.8	18	1570	13⅞	13⅝	13⅝	-⅛
35¾	24	Aflac	0.44	1.3	15	686	33¾	33½	33½	-¼
22⅛	13	Ahmanson	0.88	4.4		94561	20⅛	19⅝	20	+⅛
22½	4	Aileen Inc			10	347	6¼	6	6	-⅛
49½	36½	Air Pr Chm	0.88	1.9	18	1970	45⅞	44¾	45	-⅜
29¾	12½	Airbne Frt	0.30	1.5	113	129	21	20½	20½	-¾
23	11¼	Airgas Inc			26	91	20	19	19	-⅛
12⅞	8⅛	Airlease	1.60	13.9	8	22	11½	11⅛	11½	+⅛
104	99	AlaP8.16	8.16	8.0		2	102½	101¼	102½	
105	100¼	Alab 8.28C	8.28	7.9		z100	u105	105	104½	
11¼	10¼	AlaPwDpPf	0.87	8.4		23	10½	d10¼	10⅜	
23⅞	14¼	Alaska Air	0.20	1.2	5	402	17⅛	16¾	16¾	-½
21¼	11¼	Albany Int	0.35	2.4	61	66	14¾	14⅝	14¾	
32	21⅛	AlCulvr B	0.24	1.0	18	37	25⅛	24½	25⅛	+⅝
25¾	19⅝	AlCulvr A	0.24	1.0	20	136	23	22¼	23	

Continued on next page

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NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992-93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Close Prev.
87½	68⅛	Xerox	3.00	3.6	19	581	83⅛	82⅛	83	+⅛
55	50½	Xerox4 125				2	53	53	53	
44⅛	24⅞	Xtra 1.94	1.94	4.4		25	u44⅛	44⅛	44⅛	
70⅞	38½	Xtra Corp	0.80	1.1	19	652	u74⅞	71⅞	74	+3⅛
30⅝	25⅛	Yankee Egy	1.66	5.5	13	28	30	29⅞	30	
1½	⅛	Zapata				43	270	⅞	⅞	⅞	
11⅞	5	ZenithElec				2	597	6	5⅞	6
22	14⅛	Zenith Nat x	1.00	4.6	10	393	u22	21⅞	21⅞	−⅛
7½	6	Zentx Inc x	0.82	11.7		29	7	6⅞	7	
14⅞	10	Zero Corp	0.40	3.0	19	17	13½	13⅛	13½	+⅛
40⅞	27⅞	Zurn Ind	0.88	2.3	40	297	37⅞	37½	37⅝	−⅛
14⅞	12	Zweig Fund	1.44	11.1		132	13	12⅞	13	
11	9½	Zweig Totl	0.96	9.1		822	10½	10⅜	10½	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm January 27

NASDAQ NATIONAL MARKET

3 pm January 27

AMERICA

US markets weaker in subdued trading

Wall Street

US shares prices were mostly lower in subdued trading yesterday in spite of higher bond prices, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 5.13 at 3,293.82. The more broadly based Standard & Poor's 500 was 1.10 lower at 438.85, while the Amex composite was down 0.61 at 410.99, and the Nasdaq composite was 6.74 lower at 700.42. Trading volume on the NYSE was 168m shares by 1 pm.

After big advances on Monday and early Tuesday, the recent surge of buying seems to have petered out, leaving investors to consolidate their gains and search for a fresh incentive to buy stocks.

Hopes that the Clinton administration would take firm action to tackle the budget deficit were behind the rise in prices earlier this week, but these hopes were beginning to dwindle yesterday as the new president entered his first battle with Congress.

Investors are worried that if relations between the White House and Capitol Hill sour early, the chances of President Clinton pushing through deficit-cutting measures will be reduced.

Pessimism about the political situation depressed prices, and prevented the market from building on a morning rally in Treasuries. The appearance of Mr Alan Greenspan, chairman of the Federal Reserve, before the Congressional joint economic committee, had little impact. Mr Greenspan said that growth was moving at a firmer pace but that the economy still faced "headwinds".

Among individual stocks, American Express fell another $$1 to $23 in volume of 3.2m shares as investors continued to register their disapproval at the decision of Mr James Robinson to stay on as chairman of the group, and to take over the management of Shearson Lehman, the brokerage subsidiary.

Westinghouse Electric firmed $¼ to $14 in volume of more than 1m shares on the news that Mr Paul Lego, the troubled company's chairman and chief executive, is retiring.

General Dynamics rose $1⅞ to $114⅞ after the defence contractor announced fourth quarter net income of $174m, or $5.59 a share, up from $129m, or 46 cents a share, a year ago.

Union Carbide firmed $⅛ to $16⅛ after the company reported fourth quarter earnings of 12 cents a share, an improvement on the 49 cents a share loss recorded in the same period a year earlier.

On the Nasdaq market, profit-taking following recent big gains took its toll, especially of leading issues. Intel fell $2⅞ to $112, Amgen slipped $2¾ to $60¾, Microsoft dropped $1½ to $86½ and Sun Microsystems lost $⅞ at $38⅝.

Pyramid Technology was in strong form, rising $1¾ to $15 in busy trading after the company announced fiscal first quarter profits of 4 cents a share, a turnaround from the $1.56 a share loss that the company reported a year ago.

Canada

TORONTO saw modest midsession gains as the TSE-300 index rose 4.98 to 3,317.2 in volume of 23m shares valued at C$197m. Advances led declines by 239 to 238 with 241 unchanged.

BCE Inc, which was due to report fourth quarter earnings later in the session, rose C$⅝ to C$44.

Among actives, MDC Corp class A shares gained C$0.01 to C$1.40 while Royal LePage, which said on Tuesday it planned to omit its quarterly dividend, dropped C$1.25 or 25 per cent to C$3.75.

Ireland obsessed by currency issues

Speculation on a devaluation of the punt has been moving equities, writes Tim Coone

Having suffered a gloomy 1992, the ISEQ overall index falling by 11 per cent, the Irish equity market faces a deepening recession this year, overshadowed by the ongoing currency crisis, high interest rates and the prospect of a sharp increase in unemployment.

Bearish forecasts for the market currently outnumber the bulls; but all hinges upon whether one views the government's current no-devaluation policy as the one most likely to bring down interest rates in the short term, and whether sterling will strengthen to take the pressure off the punt. This, in turn, depends upon one's views of the UK and German economies for the year ahead.

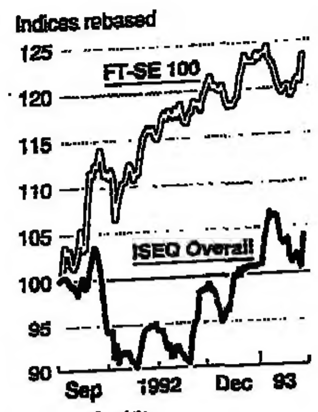
After sterling abandoned the European exchange rate mechanism last September, the punt came under heavy pressure, forcing up interest rates and exhausting the government's currency reserves.

The Irish stock market fell to its 1992 low of 1,095 in October. In November, following the realignments of the peseta and escudo, equities rallied on the expectations of an imminent devaluation of the punt, the index gaining 18.5 per cent and closing the year at 1,227.

The government, however, held its nerve, pushing interest rates still higher to maintain the punt's parity within the ERM, and the speculators lost theirs – until they came back in force yesterday. The ISEQ, having wavered around 1,220 for some time, got excited again yesterday and rose 31.21 to 1,264.33.

After four months of querulous support for its policies, the government now faces a rising howl of protests from farmers and business leaders and a growing pile of reports from economists, who are saying that the economic costs of defending the punt in terms of ruined businesses and lost jobs are not worth paying. This week, Mr John Bruton, the leader of the parliamentary opposition, nailed his flag to the devaluation mast, accusing the government of having lost control of the economy.

Three of the four main stockbroking firms in Dublin are now forecasting further falls in the market in 1993 if the government does not devalue. NCB brokers say a no-devaluation scenario would result in a "significant negative effect" on Irish corporate earnings and that "domestic and foreign institutions will be wary of investing in assets that might ultimately lose relative value if a devaluation were eventually forced".



Source: FT Graphite

Davy Stockbrokers, having produced a bullish prediction of 20 to 30 per cent growth for 1993 last December on the assumption of a realignment of the sterling/punt rate to 0.98 (currently 1.09) in the new year, have been throwing those forecasts out of the window and issuing profits warnings for Irish companies. Mr Robbie Kelleher, head of research at Davy, says: "If the government does stick to its no-devaluation policy, there can be little hope for growth this year."

Mr Dan McLaughlin, chief economist at Riada stockbrokers, says: "The outlook depends very heavily on whether there is a devaluation or not. I strongly believe there will be. The measures that have been put forward are dealing with the symptoms, not the problem itself. The exchange rate has become the policy in itself, instead of a policy tool to adjust to what the economy requires. If there is a devaluation, then Irish equities look very cheap on their current p/e rating of 12 and there would be a significant rally of maybe 20 per cent."

The countervailing view comes from Mr Mike Moroney, head of research at Goodbody's, the stockbroking arm of Allied Irish Banks in Dublin.

"We believe devaluation is not the panacea that others are expecting. The UK and US equity markets have been driven up by the expectation of a rapid reduction in interest rates. Even with a realignment in the ERM, our rates will still be tied to those of Germany, and there is likely to be an interest rate penalty of devaluation which could last 18 months to two years before they drop significantly." He thinks German rates will soon fall by as much as two percentage points, and that the Irish market would perform better in a no-devaluation scenario.

Leaving currency and interest rate predictions aside, all identify an underlying "technical problem" in the market. With the progressive abandonment of exchange controls, Irish institutions have been diversifying their portfolios out of Irish equities and into foreign ones. Irish pension funds reduced the level of Irish equities in their portfolios to 23 per cent last year from 28 per cent in 1991, and from a high of 34 per cent in 1989.

This move does not reflect a view that either the market or companies on the market are poor value in their own right, says Davy. "Rather, it reflects the fact that the menu offered to investors in the Dublin market is a limited one."

EUROPE

Paris falls on worries over banking sector

CORPORATE news dominated the Continent yesterday, *writes Our Markets Staff.*

PARIS weakened after Standard and Poor's, the US credit ratings agency, said that it was placing six French banks, including subsidiaries of Suez, down FFr10.90 at FFr260.50, and Paribas, FFr2.70 lower at FFr 375.00 on creditwatch.

The CAC-40 index closed down 15.20 at 1,777.35 in turnover of some FFr2.3bn.

Alcatel Alsthom lost FFr15 or 2.4 per cent to FFr625 after Paribas Capital Markets lowered its rating from hold to underweight.

FRANKFURT blamed cooling hopes of interest rate cuts, yet again, and selling of equities from the DTB derivatives market as the DAX index fell 13.84 to 1,562.30, featuring falls of over 1 per cent in Deutsche Bank, Daimler and Siemens.

However, market turnover stayed low, falling from DM5.4bn to DM4.6bn.

Deutsche Bank fell DM7 to DM633.50 on an unchanged DM15 dividend and a report that the engineer, KHD, was considering a rights issue. Deutsche has a 40 per cent indirect holding in KHD, which rose DM2.80 to DM101.80 on the hope of share price support from the banks.

AMSTERDAM saw Hoogovens gaining Fl 1.50 to Fl 26.90 on news after Tuesday's close that it was to lift steel prices by up to 15 per cent from April.

James Capel, in a comment on the European steel sector yesterday, forecast that, in common with previous years, the "strategic ploy" of announcing an April price rise was to boost sales. After April, the brokers note, the increases only held for a brief period.

The CBS Tendency index was flat at 97.7.

FT-SE Actuaries Share Indices

January 27 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1078.40	1077.07	1077.24	1076.73	1075.30	1073.84	1073.99	1072.28
FT-SE Eurotrack 200	1155.58	1153.01	1150.35	1151.39	1150.60	1150.76	1148.75	1147.45

	Jan 26	Jan 25	Jan 22	Jan 21	Jan 20
FT-SE Eurotrack 100	1084.24	1077.68	1091.64	1091.44	1091.84
FT-SE Eurotrack 200	1156.52	1146.67	1155.91	1154.96	1153.29

Base value 1000 (26/10/90) High/day: 100 - 1078.64; 200 - 1155.58 Low/day: 100 - 1072.18 200 - 1147.25 .

BRUSSELS was little changed although steel shares performed strongly after Hoogovens' announcement. The Bel-20 index added 0.15 to 1,178.45 in volume of BFr1.04bn.

Cockerill, due to make a statement on prices later this week, closed BFr6 higher at BFr95 with a high 141,000 shares traded. Luxembourg steel maker Arbed followed in its wake, rising BFr80 to BFr1,995.

Solvay, down BFr25 at BFr12,750, turned back from a firm start after announcing that 1992 net profit before extraordinary items would fall 14 per cent, at the high end of analysts' expectations.

MILAN saw continuing weakness in Montedison while the Comit index rose 7.29 to 480.38. Montedison was fixed L26 lower at L1,155 before falling to L1,124 after hours as a Socialist MP called for an investigation into its former joint venture with ENI.

Speculation that Gemina could be planning a disposal – its stakes in Ambrovento and Burgo have both been mentioned – ignited the insurance and banking sector. Gemina firmed L41 to L1,255, Ambrovento advanced L120 to L4,100 but Burgo slipped L130 to L5,470.

ZURICH ended near the day's lows as profit-taking eroded prices. The SMI index fell 20.2 to 2,064.1.

Nestlé shed SFr15 to SFr1,050 in response to last year's 7.9 per cent rise in group sales, announced after the market closed on Tuesday.

Roche certificates declined SFr60 to SFr4,030 amid reports that investors were turning instead to Sandoz, SFr50 higher at SFr3,170.

STOCKHOLM reversed early gains after Stora announced a preliminary 1992 loss of SKr1.4bn after a 1991 profit of SKr1.1bn. Its B shares closed down SKr4 at SKr259. The Affärsvärlden index fell 3.2 to 893.0 in turnover of SKr565m after Tuesday's SKr745m.

VIENNA saw short-covering lift the ATX index 17.91 or 2.4 per cent to 761.62 with Austrian Airlines putting on Sch120 to Sch1,650.

ATHENS saw profit-taking after strong gains earlier in the week and the general index closed 15.89 lower at 732.16.

ASIA PACIFIC

Nikkei rise pared as rate cut hopes are diminished

Tokyo

LATE afternoon bargain hunting by institutional investors spurred a rally, but share prices closed only marginally higher after profit-taking had eroded most of the gains, *writes Emiko Terazono in Tokyo.*

The Nikkei average finished 17.05 up at 16,509.68 after a day's low of 16,398.21 and high of 16,645.93. The index rose sharply in the last 15 minutes of trading before losing steam in line with a weakening futures market.

Volume remained light, totalling 200m shares against 203m previously. Rises led declines by 511 to 401, with 202 issues unchanged. The Topix index of all first section stocks put on 4.19 at 1,260.10 and, in London, the ISE/Nikkei 50 index edged up 0.35 to 1,023.51.

Hopes of an imminent cut in the discount rate receded on tighter money market operations by the Bank of Japan. However, traders said some investors still expect a rate reduction next month.

Meanwhile, some brokers hope that a possible listing by JR East, one of the seven divisions of the former national railway, which will apply for inclusion in April, will activate the market.

Shipbuilders were actively traded on reports that the recent spate of oil spills may prompt the government to implement requirements enforcing tankers to be constructed with double hulls. Sasebo Heavy Industries advanced Y34 to Y525, Hitachi Zosen rose Y18 to Y490 and Mitsubishi Heavy gained Y8 at Y508.

Sumitomo Bank, which announced that it would write off non-performing loans worth Y100bn to Itoman, the ailing textile trader, for the current fiscal year, firmed Y10 to Y1,720.

In Osaka, the OSE average closed 79.57 higher at 17,885.34 in volume of 40.7m shares.

Roundup

PACIFIC Rim markets continued to be mixed.

HONG KONG finished moderately higher, with overseas demand for bank issues continuing to provide support. The Hang Seng index gained 16.16 at 5,939.89 in volume that eased to HK$2.03bn from Tuesday's HK$2.09bn.

HSBC Holdings, the largest local bank and stock, continued to top the actives list and added 50 cents at HK$62.50. Bank of East Asia, which today will be the first blue chip bank to report results, climbed 75 cents to HK$36.

Swire Pacific "A" picked up 75 cents to HK$31 on signs that the cabin crew strike at its Cathay Pacific Airways unit was crumbling. Cathay improved 5 cents to HK$9.35.

SINGAPORE turned mixed after the Straits Times Industrial index briefly touched a new high of 1,607.22 in morning trading. It later turned back to close a net 2.21 off at 1,603.07 in volume of 56.86m shares, against 43.79m on Tuesday.

QAF, linked to the Brunei royal family, was the most active issue with 13.58m shares traded on rumours of a Brunei asset injection. The stock rose 5 cents to 91 cents.

AUSTRALIA rose, although equities failed to maintain strong early momentum provided by the overnight London and Wall Street markets. The All Ordinaries index ended 5.6 ahead at 1,534.6. Turnover came to a healthy A$251.8m.

BTR led industrial volume after a block trade of 1.97m shares at A$2.50. It closed 4 cents up at A$2.53.

Among other heavily traded issues, Pioneer shed 3 cents to A$2.24, and Goodman Fielder was 1 cent easier at A$1.72 after the company rejected speculation that it was likely to be the target of a hostile takeover bid.

Many investors are turning to Goodman Fielder from Arnotts, which rose 2 cents to A$9.52 on the eve of the close of Campbell Soup's A$9.50 a share takeover offer. Campbell said it had almost 40 per cent of Arnotts by mid-afternoon.

TAIWAN stocks were dragged down by political uncertainty and heavy profit-taking from strong gains made before the Chinese new year holidays. The weighted index fell 137.53, or 4 per cent, to 3,283.09 in moderate turnover.

MANILA turned higher after a large order for San Miguel shares by a foreign group based in Singapore sent the market up, overcoming early profit-taking. The composite index put on 7.03 at 1,324.34.

San Miguel "A" shares closed 2 pesos firmer at 75 pesos and the "B" appreciated 5 pesos to 120 pesos.

SEOUL was lower, the composite index losing 7.91 at 694.59.

KUALA LUMPUR drifted easier in thin trading as many investors stayed on holiday. The composite index slipped 1.45 to 624.89.

BANGKOK relinquished further ground amid profit-taking in bank shares. The SET index shed 4.56 to 983.41 in Bt9.05bn turnover.

Construction conglomerate Siam Cement, on announcing lower than expected profits, declined Bt10 to Bt508.

SOUTH AFRICA

DE BEERS weakened slightly on news that Russia planned a sharp increase in diamond production, closing 50 cents down at R68.72. The overall index was unchanged at 3,405, while industrials lost 1 to 4,507. The golds index added 5 at 844.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 26 1993								MONDAY JANUARY 25 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	120.78	+1.0	116.43	94.40	99.03	118.85	+0.4	4.09	119.64	113.74	93.25	97.81	118.39	153.68	108.18	144.90
Austria (18)	139.18	+1.3	134.17	108.79	114.12	113.98	+1.4	2.03	137.41	130.64	107.10	112.34	112.43	186.70	131.16	170.40
Belgium (42)	142.53	+0.4	137.40	111.40	116.86	114.06	+0.6	5.30	141.95	134.95	110.63	116.05	113.42	152.27	131.19	143.59
Canada (113)	114.32	+1.3	110.20	89.35	93.72	105.21	+0.7	3.14	112.89	107.32	87.98	92.29	104.51	142.12	111.36	138.93
Denmark (33)	210.03	+0.0	202.47	164.17	172.20	173.18	+0.2	1.58	210.07	199.71	163.73	171.74	172.79	273.94	181.70	265.01
Finland (23)	71.07	+1.4	68.51	55.55	58.27	78.98	+1.1	1.78	70.06	66.61	54.61	57.28	78.15	89.80	52.84	87.32
France (98)	149.30	+0.4	143.92	116.69	122.40	124.89	+0.6	3.59	148.64	141.31	115.84	121.51	124.10	168.75	136.93	152.91
Germany (62)	109.32	+0.1	105.38	85.45	89.63	89.63	+0.4	2.55	109.20	103.81	85.12	89.27	89.27	129.69	101.59	119.23
Hong Kong (55)	236.26	−0.4	227.75	184.66	193.71	234.42	−0.4	3.84	237.18	225.48	184.86	193.91	235.48	262.28	176.36	190.18
Ireland (16)	141.10	−0.8	136.01	110.28	115.68	118.20	−0.6	4.49	142.23	135.21	110.85	116.28	118.86	173.71	122.98	169.13
Italy (76)	59.99	+0.9	57.82	46.88	49.18	65.03	+0.9	3.20	59.46	56.53	46.34	48.61	64.42	80.86	47.47	78.72
Japan (472)	101.84	+0.2	98.17	79.60	83.51	79.60	+0.5	1.05	101.64	96.63	79.22	83.11	79.22	140.95	87.27	124.65
Malaysia (69)	261.51	+0.3	252.09	204.39	214.40	261.41	+0.6	2.53	260.65	247.80	203.14	213.09	259.80	282.42	212.49	223.12
Mexico (18)	1684.46	+0.1	1623.77	1316.59	1381.05	5714.80	+0.1	1.05	1682.58	1599.60	1311.40	1375.56	5708.42	1789.77	1185.84	1517.81
Netherland (25)	156.85	+0.1	151.20	122.60	128.60	126.97	+0.4	4.48	156.65	148.92	122.09	128.07	126.44	169.70	147.88	153.96
New Zealand (13)	41.72	+0.9	40.21	32.61	34.20	42.71	+0.7	5.12	41.34	39.30	32.22	33.80	42.41	48.52	37.39	45.89
Norway (22)	143.83	−0.3	138.65	112.42	117.93	130.95	+0.2	1.84	144.21	137.10	112.40	117.90	130.65	192.95	128.05	184.59
Singapore (38)	214.71	+0.8	206.97	167.82	176.03	161.82	+0.4	2.03	213.04	202.53	166.04	174.16	161.25	229.63	179.65	227.25
South Africa (60)	156.20	−0.2	150.57	122.08	128.06	163.94	+0.1	3.11	156.55	148.83	122.02	127.99	163.77	263.60	134.21	255.82
Spain (47)	131.02	+0.9	126.30	102.41	107.42	110.97	+1.2	5.45	129.84	123.44	101.20	106.15	109.63	161.72	107.10	156.25
Sweden (36)	157.95	+0.1	152.26	123.46	129.51	165.44	+0.2	2.59	157.83	150.04	123.01	129.03	165.07	200.28	149.69	185.86
Switzerland (56)	114.27	−0.8	110.15	89.32	93.70	102.97	−0.1	2.08	115.22	109.53	89.80	94.20	103.04	122.37	95.99	101.98
United Kingdom (228)	175.45	+0.9	169.13	137.12	143.83	169.12	+2.3	4.40	173.93	165.35	135.55	142.18	165.35	200.07	161.86	182.69
USA (522)	179.85	−0.1	173.37	140.58	147.46	179.85	−0.1	2.85	179.96	171.08	140.27	147.13	179.96	180.06	160.92	169.20
Europe (780)	140.10	+0.5	135.05	109.50	114.87	125.99	+1.2	3.75	139.44	132.56	108.68	114.00	124.46	156.86	131.31	148.10
Nordic (114)	149.14	+0.1	143.76	116.57	122.27	138.40	+0.3	2.21	148.92	141.57	116.07	121.75	137.99	188.52	141.24	186.14
Pacific Basin (715)	107.01	+0.2	103.16	83.64	87.74	85.53	+0.4	1.40	106.79	101.52	83.23	87.30	85.17	141.97	93.70	127.22
Euro−Pacific (1495)	120.42	+0.3	116.08	94.11	98.72	101.61	+0.8	2.51	120.01	114.10	93.53	98.11	100.80	145.21	113.80	135.86
North America (635)	175.79	+0.0	169.46	137.41	144.15	174.79	+0.0	2.86	175.81	167.14	137.04	143.78	174.85	176.04	158.70	167.26
Europe Ex. UK (554)	118.83	+0.2	114.55	92.90	97.45	102.60	+0.5	3.28	118.61	112.76	92.46	96.99	102.10	132.98	111.33	127.06
Pacific Ex. Japan (243)	157.70	+0.3	152.02	123.28	129.31	146.62	+0.1	3.63	157.22	149.47	122.56	128.55	146.48	175.31	146.06	152.60
World Ex. US (1686)	121.59	+0.4	117.21	95.04	99.69	103.75	+0.8	2.52	121.16	115.19	94.44	99.06	102.95	146.91	115.99	138.14
World Ex. UK (1982)	136.95	+0.1	132.01	107.04	112.29	123.04	+0.2	2.46	136.82	130.07	106.64	111.87	122.80	150.58	127.21	144.23
World Ex. So. Af. (2148)	140.28	+0.2	135.23	109.66	115.02	126.73	+0.4	2.66	140.03	133.13	109.15	114.49	126.19	153.05	130.04	146.86
World Ex. Japan (1736)	161.84	+0.2	156.01	126.51	132.71	154.89	+0.4	3.19	161.57	153.60	125.94	132.11	154.27	165.40	151.93	161.07
The World Index (2208)	140.28	+0.2	135.23	109.65	115.02	127.08	+0.4	2.66	140.04	133.13	109.15	114.50	126.55	153.70	130.66	147.58

Latest prices were unavailable for this edition.